The

Mysore Economic Journal

A MONTHLY PERIODICAL

Devoted to the Discussion of all Economic Topics of Interest

EDITED BY
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33414

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VOL. XIX. 1933

BANGALORE CITY:
PRINTED AT THE BANGALORE PRESS, MYSORE ROAD
1933

The Mysore Economic Journal

A Monthly Periodical devoted to the Discussion of all Economic Topics of Interest

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Indian Economic Conference: Report of Proceedings.

The Mysore Economic Journal

A Monthly Periodical devoted to the Discussion of all Economic Topics of Interest

Vol. XIX | JANUARY 1933 | No. 1

India and the Ottawa Agreement.

Some Forgotten Aspects of our Foreign Trade.

By Dr. B. Ramachandra Rao, M.A., Ph.D., F.R.Econ.S.,

Calcutta University.

Apart from pontifical blessings by the official apologists or solemn execrations by the aggrieved parties, there has been no systematic analysis of the Indian trade situation and how it stands to be affected as a result of the newly forged trade agreement at Ottawa. Certain Trades Associations and Chambers of Commerce have been analysing their particular trade situation. The consensus of opinion is that India stands to lose by the new trade treaty that has been sprung upon her by the official delegation at Ottawa.

At the time when I published a general criticism of Ottawa deliberations* no detailed handling of the treaty terms could possibly have been made by me, for the actual terms have been published quite recently alone. Unswayed by emotional or sentimental likes and dislikes, the necessity of granting Imperial Preference in the matter of export and import duties is discussed in the light of cold logic and economic reasoning. Leaving aside mathematical calculations of gains or losses, which after all cannot be made, certain aspects of export trade which require early correction have been emphasized in this connection.

The Object of Trade Treaty.

A trade treaty is essentially meant to promote the volume of trade between the contracting parties of the agreement. If India enters into trade agreements, the object should essentially be to directly increase the entire export and import trade of the country. Such a treaty ought to be welcomed, for it would indirectly raise the standard of living of the people of the country. The mutual exchange of increased quantity of goods and services would mean that the standard of comfort and living has expanded as a result of greater consumption of these due to increased net national income of the people. The present day Indian exports and re-exports come up to the lowered figure of Rs. 225 crores. Of this 89 crores are exported to the British Empire. The following table gives the detailed figures of Indian exports during the past five years:—

TABLE I.

Crores of Rupees—Indian Exports.

Countries.	1926-27	1927-28	1928-29	1929-30	1930-31
British Empire ..	118.9	131.6	119.9	114.1	89.0
Foreign Countries	190.4	196.9	218.0	203.7	136.5
	309.3	328.6	337.9	317.9	225.6

Broadly speaking the trade returns of Indian exports fall into the time-honoured classification of (1) Food, drink, and tobacco; (2) Raw materials produce and articles mainly manufactured; (3) Articles wholly or mainly manufactured; (4) Living animals; (5) Postal articles. The respective proportions under the above heading are as follows during the year 1930-31:—

*See my articles "India's Duty at Ottawa" and "Ottawa and What Next ?" published in the *Mysore Economic Journal*.

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TABLE II.

	Indian Merchandise exports to the British Empire and Foreign Countries			Re-Exports to British Empire and Foreign Countries		
	Total.	Br. Emp.	Fn. Cy.	Total	Br. Emp.	Fn. Cy.
I ..	59	41	18	.3	.18	.13
II ..	101	19	81	1.8	1.2	.6
III ..	57	24	33	2.8	1.3	1.5
IV ..	..	..	..	..	..	..
V ..	2	1.7	.5	.1	.09	.04

Of the above classes certain detailed information has to be secured in order to enable the reader to comprehend the nature of the different export articles sent to the different countries.

TABLE III.

Major Exports whose value is higher than 5 Crores—1930-1931.
(Crores of Rupees.)

Article	Foreign Country	British Empire	Total
Grain, pulse and flour ..	14.0	15	29
Gums, resin, lac ..	2.0	.8	2.8
Hides and Skins (raw and undressed)	4.0	.5	4.5
Metallic Ores	1.0	1.0	2.0
Oil Cakes	1.2	.8	2.0
Seeds (nuts for oils) ..	14.0	3	17.0
Cotton (raw and waste) ..	43.0	3	46.0
Jute	10.0	2	12.0
Chemicals, drugs, medicines	1.0	.2	1.2
Iron and Steel	1.0	.4	1.4
Metals	1.0	1.9	2.9
Cotton yarns and manufactures	2.0	2.0	4.0
Jute yarns and manufactures	22.0	9.0	31.0
Rubber (raw and crude) ..	.06	1.2	1.26
Wool	.2	2.0	2.2
Wood and Timber ..	4.0	.9	4.9
Hides and Skins ..	.4	5.8	6.2
Tea	2.0	21.0	23.0
Fruits and Vegetables ..	.3	.4	.7
Total value ..	123.16	70.9	194.06

A cursory glance at the above table will make it apparent that the three or four or five outstanding major exports are (*a*) grains, etc., (*b*) seeds, (*c*) cotton, (*d*) jute, (*e*) tea.

Common sense would dictate that the prop Imperial Preference must be of such character that the total export trade shoi not stand to lose as a result of retaliati by foreign countries whose imports into Inc would become penalized under the new arran ments. In the event of such a contingen arising the United Kingdom and Brit Empire ought to absorb the whole of t displaced export trade. If foreign countr obtain less of our exports their imports wou have to fall off in due course for the classi economists repeatedly emphasize that impo pay for exports and *vice versa*. While t may be safely conceded as a broad generali tion, it must not be ignored that there a two other items of payment beyond merchand articles, *e.g.*, gold and services. If our stin lated exports to British Empire mean les exports to foreign countries, we have to se gold or render services to foreign countri if we persist in importing the same volume commodities from the foreign countries o triangular exchange dealing would ena us to collect our dues from the British Emp and repay our indebtedness to the fore countries. Great Britain's Imperial Pref ence to Indian grains, tea, cotton and see might be valuable as they are competitiv marked products in the United Kingd but the other Colonial and Empire p would compete with us. It is qualitat improvement that can bring about the nee salvation in this direction.

Taking each article of the grains' schedu it can be pointed out that there is no decie advantage for us by the Imperial Prefere offer. Of the total 29 crores worth of gra exported the main items are husked r 25.8 crores and wheat 22.7 cro Remembering the limited use of husked in Great Britain the grant of Imperial Pre ence will not enable us to obtain any gr advantage. It is Burma that sends bulk of this rice to the United Kingdom the foreign countries. (See Tables on p. 66 *Sea-Borne Trade of British India*.) The that increasing quantities of broken clea rice are consumed by the Britisher is a dist advantage to Burma. It is a pity t *financially disabled Germany is consum* less and less of our rice as the following figu show:—

TABLE IV.

Value in Crores—German Consumption of Ric

Financially bankrupt Europe is no longer e to consume rice as before as the following le shows the fitful nature of their consump- n of Indian rice :—

TABLE V.

(Crores of Rupees.)

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
in ..	..	.07	.3	..	..
ugal ..	.2	.19	.12	.17	.05
y	.29	.39	.45	.14	.10
ria ..	.2	.2	.63	..	..
gary ..	.0002	..	..	..	..
ey (Epn.) ..	.004	.01	.01	.01	.01
ey (Asia) ..	.01	.09	.03	.02	.018
ne ..	.4	.3	.3	.3	.08

he removal of the rice export duty which ow imposed at the rate of three annas maund would undoubtedly increase the sumption of it but a substantial loss of nue would have to be borne by the Indian hequer. Such a situation can hardly be emplated just at present.

oming to wheat, the next major export, poor quality Indian wheat cannot find easing sales in the London market. adian and Australian wheat would un- otedly eliminate it from the United King- unless the freight charges and agricultural of production charges were to be reduced. ain wants to impose 2s per quarter on gn wheat. But this margin will not tly aid the marketing of Indian wheat. n quality Canadian wheat will not be n up in preference to poor quality Indian at. As a broad generalization it can be ed that in the case of all our foodstuffs chief cause of our backwardness is the cost of raising it and the actual marketing nses are very high when compared with quality Empire foodstuffs. The following e shows the declining character of the ket for Indian wheat in the United King- :—

TABLE VI.

ores of Rupees—Indian Wheat sold in the United Kingdom.

6-27	1927-28	1928-29	1929-30	1930-31
2	3	1	.09	1 7

lgium and France are the chief foreign tries importing Indian wheat but their imption is evidently on the decline after -30. The following table shows the es :—

TABLE VII.

(Crores of Rupees.)

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
Belgium ..	.1	.2	.1	.	06
France ..	.2	.3	03	..	.05

The natural markets for Indian grains are *Ceylon, Straits Settlements, Mauritius and* Federated Malay States and these are poor consumers with a low *per capita* income. Netherlands, Belgium, France and Germany are the chief foreign countries and here it is quality and cost of production that counts. The world price-level sets the pace and unless freight charges enable Indian exporters to economically market their products there seems to be no great future. The revival of financial situation in Germany would stimulate their consumption. It is an admitted fact that of late the Germans have given up wheat and substituted rye in its place.

EXPORT OF SEEDS

Coming to the somewhat elastic term we have to remember that several items are included under one broad heading "seeds". *Different kinds of nuts meant for extracting* oils are included under this heading. Of the essential the following are the most important :- Ajwan, Aniseed, Cummin, Fennel Fenegreek and Sawa. Of the non-essential Castor, Copra, Cotton, Groundnuts, Linseed, Mustard, Niger, Poppy, Rape, Sesamum and Tea are the most important varieties. The foreign countries take 11 crores worth of seeds. The British Empire takes three crores worth roughly a quarter of foreign consumption. Netherlands and France alone consume as much of the total seeds as the whole of the British Empire put together. The above fact indicates clearly the importance of these markets for us.

TABLE VIII.

(Value in Crores of Rupees.)

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
Germany ..	2.9	6.2	6.3	5.2	2.3
Netherland ..	2.4	3.2	3.7	4.0	3.2
Belgium ..	.7	.7	.5	.6	.4
France ..	5.1	5.8	7.6	6.6	3.9
Italy ..	3.6	3.6	4.2	2.6	2.0

Egypt and the U.S.A. are indeed good customers and increasing quantities can be sold here. The following table makes it clear and apparent :—

TABLE IX.

(Value in Crores of Rupees.)

Countries		1926-27	1927-28	1928-29	1929-30	1930-31
Egypt	..	.06	.10	.16	.5	1.3
The U.S.A.	..	.9	1.0	1.1	1.0	.6

Coming to cotton (raw and waste) it is the foreign countries that take the bulk of the Indian export (43 crores) The Empire takes roughly three crores worth of raw cotton. The following table illustrates this remark :-

TABLE X.

Raw Cotton Crores of Rupees.

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	1.5	2.8	4.4	4.3	3.0
Ceylon ..	.1	.1	.11	.09	.10
Germany ..	2.3	4.4	5.7	4.8	3.2
Netherlands ..	.5	.5	.8	.8	.6
Belgium ..	2.8	4.1	6.1	5.6	2.6
France ..	2.2	3.3	3.5	3.9	2.6
Spain ..	.8	1.0	1.3	1.2	1.1
Italy	5.1	5.8	6.6	5.7	3.7
China.. ..	7	1	7	9	7
Japan ..	34	21	29	27	20
U.S.A. ..	.3	.4	.7	1.1	.4

Cotton Waste -Crores of Rupees.

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	.11	.11	.13	.15	.12
Ceylon ..	.005	.01	.009	.01	.005
Germany ..	.15	.12	.09	.07	.04
Netherlands ..	.05	.04	.01	.02	.009
Belgium ..	.08	.05	.07	.09	.04
France ..	.02	.02	.02	.02	.02
U.S.A. ..	.05	.07	.03	.06	.07

It is quality that tells in the case of raw cotton. The Lancashire mills have been taking increasing quantities of late but more decided improvement is needed. It is Japan that takes the bulk but even that is of declining value as the above table shows. The fall in value of raw cotton is primarily responsible for the situation.

Germany, Belgium, France and Italy would likely increase their use of our raw cotton. The cessation of Chinese political turmoil would mean increasing use of Indian raw cotton. But the increasing domestic use of the same can be foreshadowed by the Khadi (handloom weaving) and cotton mill industry. No anxiety need be felt for the Indian raw cotton situation but as it is the world price that settles the market price of raw cotton the Indian agriculturists ought to be made aware of the situation by the Indian cotton mills. It is mutual prosperity that would be the result of this action.

Jute forms the next important export from this country. Raw jute, jute twist and yarn and different kinds of manufactured jute are sent out of the country. The following table speaks of the respective proportions sent abroad to the British Empire and the Foreign countries :—

TABLE XI.

Raw Jute—Crores of Rupees..

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	6.13	7.68	7.57	5.56	2.23
Total Br. Empire.	6.16	7.70	7.61	5.64	2.26
Germany ..	7.39	8.53	8.96	7.40	3.50
Netherlands ..	.3	.6	.6	.7	.4
Belgium ..	1.7	1.62	1.90	1.54	.9
France ..	3.48	3.69	4.04	3.61	1.84
Spain ..	1.21	1.52	1.55	1.54	.6
China ..	.14	.16	.17	.18	.12
Italy	1.70	1.70	2.28	1.89	.9
Japan ..	.30	.34	.36	.44	.11
The U.S.A. ..	3.19	2.98	3.36	2.45	.9
Brazil ..	.5	.7	.4	.6	.3
Argentine Republic ..	.20	.22	.21	.16	.10

As the value of jute export (twist and yarn) is so negligible and runs into a few lakhs on the whole (12 lakhs), separate statistics would be of very little value.

TABLE XII.

Sacking Gunny Bags—Crores of Rupees.

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	1.1	1.2	1.3	1.2	.6
Straits Settlements	.8	.8	.6	.6	.4
Hong Kong ..	.8	1.1	1.0	1.6	.5
Kenya ..	.23	.21	.27	.22	.17
Mauritius ..	.22	.12	.14	.16	.12
Commonwealth of Australia ..	5.01	3.99	4.87	3.14	3.03
New Zealand ..	.67	.51	.65	.50	.41
Germany ..	.10	.11	.09	.09	.06
Belgium ..	.23	.14	.25	.37	.28
Greece ..	.29	.32	.30	.14	.11
Java ..	1.71	1.45	2.25	1.66	1.58
Indo-China ..	.52	.65	.72	.51	.16
Japan ..	1.27	.9	.4	.6	.1
Egypt ..	.2	.3	.3	.4	.3
Portuguese Africa ..	.4	.4	.5	.4	.3
The U.S.A. ..	.16	.11	.07	.06	.03
Cuba	1.89	1.84	2.17	1.70	1.00
Porto-Rico ..	.2	.2	.2	.2	.2
Chile	1.22	1.48	1.42	1.20	.4
Total Foreign Countries ..	10.64	10.80	11.30	9.83	5.96

Of the jute manufactures canvas, sacking, *gunny bags*, Hessian gunny bags, sacking gunny cloth, Hessian gunny cloth, rope and twine are the chief jute manufactures sent out of the country. Canvas of very little value is sent out of the country.

While the total average quantity consumed by Great Britain is 175,000,000 yards the value has fallen to a low figure. The case of jute prosperity is clearly one dependent on revival of prices. In the case of foreign countries there is a steady annual consumption of 375,000,000 yards but the export value is almost halved.

TABLES XIII & XIV.

Hessian Gunny Bags—Crores of Rupees.

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	.66	.74	.69	.78	.53
Australian Commonwealth ..	.41	.42	.42	.42	.22
British Empire	1.24	1.36	1.30	1.36	.87
Norway ..	.1	.03	.006	.02	.03
Netherlands ..	.002	.005	.011	.004	.02
Philippine Islands ..	.13	.13	.15	.18	.12
Egypt ..	.46	.40	.42	.49	.34
The U.S.A. ..	.7	.4	.4	.4	.2
Hawai ..	.2	.3	.4	.3	.3
Total Foreign Countries ..	1.8	1.4	1.6	1.6	1.1

TABLE XV.

Total Gunny Cloth—Crores of Rupees.

Countries	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	1.02	.63	.64	1.14	.59
Australian Commonwealth ..	.77	.66	.61	.64	.32
British Empire ..	3.36	2.98	3.31	3.61	2.08
Norway ..	.04	.05	.05	.05	.1
Philippine Islands ..	.13	.28	.25	.33	.28
China ..	.20	.18	.26	.18	.05
The U.S.A. ..	16.7	18.7	19.6	18.2	10.6
Argentine ..	6.22	62.82	7.36	6.49	3.15
Total Foreign Countries ..	25.08	26.95	28.32	26.07	14.78

The total consumption of gunny cloth has decidedly fallen from the high figure of 1,467,000,000 yards to 1,123,000,000 and *the value has fallen to a markedly low figure* from 25 crores to about 14.7 crores.

The consumption of jute manufactures ought to increase in the U.K. Some helpful propaganda would be of great help in this direction. The Australian Commonwealth can also *afford us a highly valuable market in* this connection. But the U.S.A. alone takes as much of jute manufatures as the whole of the Empire put together. The whole of this market might not be lost even if the U.S.A. were to retaliate on the ground of our imposing additional duties on U.S.A. imports into our country. But the competition of Dundee manufacturers in this direction has to be reckoned. But the possibility of another fibre supplanting jute is indeed a remote contingency. Such a rumour was bruited some years ago. It was opined that Brazil would produce such tough fibre as to compete with jute fabrics. Germany some time back experimented with tough paper substitutes *in place of jute*. *Necessity* is the mother of invention. Scientific research might indeed one day discover another cheaper and useful substitute for the jute fabric and the plant. While the raw material market *might not be lost the one for our manufactured* jute might be easily assailed if such incompetency as the one existing in the cotton mill industry were to be the feature of our jute mills.

The last but not least important is the "tea industry". The bulk of the export is not to the British Empire but to foreign countries. Both quantity as well as value have fallen. The following table makes the facts clear :—

TABLE XVI.

(Quantity in lbs.)

1926-27	1927-28	1928-29	1929-30	1930-31
46,768	630	7.108	4,690	85
92,794	1,26,077	23,807	25,118	64,448

(Value in Rupees.)

1926-27	1927-28	1928-29	1929-30	1930-31
38,196	694	5,182	4,403	100
85,226	1.50.279	23,313	22,471	20.050

Imperial Preference might easily enable us to defeat the Ceylonese and the cheap but foreign Javanese tea in the markets of the United Kingdom. But much cannot be expected in this direction unless demand for improved quality drink were to expand.* The alternative beverages or drinks are so many

*"Java and Sumatra have imported 6,250,000 lbs. of cheap tea into Great Britain" says the Tea Brokers' Association of London. The import duty of 4*d.* per lb. mattered little and Javanese tea which has to pay six and three-fourths pence per lb. prefers the English market. A tariff which is double the present one ought to be levied on this cheap foreign tea. (See the *Bombay Chronicle*, page 14, October 16, 1932.)

that tea drinking will not become immediately popular with all sections of society. The Tea Association has done signal service in the direction of advertising the commodity and creating a taste for it in the labouring classes of our community. More wide-spread advertisement would create a market for it in Germany and France. Coffee and Cocoa are the favourite drinks of the more wealthy consumers. More assiduous cultivation of the leafy varieties of tea would be paying and these can easily find a favourable market amongst the wealthy consumers. But it is a matter of irony to point out that the main benefit would redound on the shoulders of the European capitalists who have brought this agricultural industry to a state of perfection.

While the big five of the Indian exports have been discussed, attention must also be confined to some of the minor export commodities such as gums, resin, lac, oil-cake, metallic ores, cotton yarns and manufactures, wool, wood, timber and hides and skins. India's position is strong in several of these commodities and with a certain amount of marketing, still more extensive sale can be easily created. Except in the shellac (gums, resin and lac) item there is no monopolistic position on the part of India. The export of oil-cakes has to be as much deplored as the exports of foodstuffs while both animals as well as human beings are semi-starved. A more prosperous cattle-raising industry would mean the use of these oil-cakes for animal-feeding. The lean and lank cattle can be easily made to consume more of these nutricious and life-giving substances. While the proverbial under-feeding of Indian citizens is much deplored by all people, the underfeeding of her cattle power has not drawn sufficient attention of the public. In the interests of draught cattle, bovine animals and the meat-raising industry,* an attempt ought to be made to utilize some of these as good feeding substances.

More engineering workshops are needed to enable us to maintain the existing industries on a sufficiently economic basis and the utilization of the metallic ores into profitably manufactured articles might be attempted.† As it is not the export of more raw materials that would be paying to us it should be the main endeavour of our trade treaties to secure an outlet for the manufactured or semi-manufactured articles. Since the late Mr. Ranade pointed out the imperative necessity of changing the character of our exports, everything has been directed towards the realization of the above ideal. Some significant advance has been achieved and modern India is reckoned as the eighth major industrial country. The Meek Committee has already outlined several useful measures for capturing the Far Eastern markets for our cotton yarns and manufactures. With the granting of further doses of Protection the natural endeavour would be to capture the vast domestic market itself from the Japanese and the Lancashire industry. The opening of Consular agencies, museums and travelling salesmen and adaptability to foreign consumer's requirements would give the necessary fillip to the export section of the cotton industry.

Imperial Preference was once tried in the matter of raw and tanned hides and skins exported from this country. Neither the Empire tanning industry nor the Indian leather manufacturing industry could manage to absorb the 'export surplus' of our country which was displaced from the foreign countries. Barring the semi-monopolistic position in the case of goat skins, India is one among several competing producers of raw and tanned hides.‡ The little extension of the export trade was a result of the Indian Munitions Board's propaganda in this direction. Free from warbles and nasty cuts due to inexperienced flaying of hides and skins by the village harijans there would be an increase of the export material from the country. A little improvement of the domestic leather manufacturing lines would enable the Indian industrialist to capture the whole of the export material for his own use.§ The nicely exhibited leather products at the different exhibitions bespeak of the vast improvement in the different lines of the Indian leather industry and fine arts products consisting of Indian tanned leather. Domestic Indian tanning processes can be revolutionized by the adoption of electric tannage. Even the vegetable tanning processes can also be immensely improved. The cultivation of wattle bark and trees and

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*On grounds of humanitarianism this industry was given up.

† Instead of sending Pig Iron and semi-finished steel out of India, it behoves us to convert them into a finished shape. New lines of manufacturing would solve the situation rather than an Imperial Preference Agreement which enables them to find a [illegible]

‡See my article "Export Duty on Hides and Skins", *Mysore Economic Journal*.

§See my monograph "Economics of the Leather Industry" published by the Calcutta University: [illegible]

other astringent bark-like material for preparing or dressing the hide would be a significant advantage by itself.

No Imperial Preference measure need be devised to create a market for Indian semi-tanned goods, for these form the basis of the highly developed leather industries of Germany and the U.S.A. India's commanding position in the British export trade is a great advantage to her. Except in wheat, hides and skins, oil-seeds, barley, tobacco, tea, timber, mineral products, spices, vegetable oils and other smaller export materials, India does not meet with formidable competitors in the U.K. or Empire markets. Better quality, economical marketing, clever advertising and systematic *grading are the panaceas for the increase of* Indian export trade. Being essentially of the nature of foodstuffs and raw materials, no ten per cent duty exemption is needed. It is the poor quality of our major as well as minor exports that is the initial handicap. Provided the quality is much improved, Indian exports can climb a much higher tariff wall than the ten per cent duties that might be imposed on Indian goods, if India fails to be drawn into the scheme of Imperial Preference for the British Empire. Without improvement in quality no great headway can be made as against Colonial and Dominion produce competition in the self-same lines of export commodities sent by India.

If one were to remember the fact that India is a vast agglomeration of people lying scattered in a wide area, the anxiety for a external market seems to be unnecessary. In most cases of the 'languishing exports' what is needed is some state export scheme to enable the famished outsiders to become effective bidders for Indian produce. An improved quality, the reduction of export duty in case of semi-monopolistic exports even, better credit terms, and suitability to the needs of the external customers so far as semi-manufactured commodities are concerned are the *sine qua non* for the improved export trade situation of the country. Trade missions, Consular officers, standing exhibitions of Indian goods abroad on the lines of the Japanese Museums in our country, can hope to do something in the direction of stimulating our export trade.

Another peculiar feature of our foreign trade situation is this lamentable one. While we are exporting certain inferior type of commodities, better varieties of the same are imported from foreign countries. A perusal of the export and import items would make this point clear. Fish, fruits, vegetables, wheat, *foreign liquors, provisions*, oilman's stores, spices, sugar, tea, tobacco, dressed hides and skins, mineral oils, paper-making materials, wood, timber, chemicals, dyes, rubber manufacture, cotton and woollen manufactures are being imported in great quantities from various other countires. An improved quality of the Indian goods would render unnecessary such highly-valued imports into the country. There can be vast improvement in the domestic situation in each and every item. A part of the re-export trade can be easily annexed by this country. Indian manufacturers can send similar manufactured articles from their firms.*

India is now producing goods to an increasing extent for the foreign markets. Money crops are now being raised. The old economic self-sufficiency of the Indian village is becoming a misnomer. An export surplus must exist so as to enable her to repay her imports of goods, precious metals, and other invisible imports, interest on external capital investments in this country and administrative payments to Great Britain.

Again, an unfavourable balance exists in the matter of our trade with the U.K. and Java. It might be that with increasing attention paid to sugarcane cultivation the unfavourable balance with Java might be rectified. The 'unfavourable balance' with Great Britain is being repaid by triangular dealings, *i.e.*, collection of payments from non-Empire countries and repaying them to *Great Britain. If the foreign countries were* to retaliate as a result of Imperial Prefernece Agreement penalizing their goods, this position will be gravely jeopardized. Merchandise exports must exist in increasing quantity to enable us to pay our total indebtedness to Great Britain. Now that our direct export trade with foreign countries in slowly increasing, the new-fangled Imperial Preference measure might militate against it. Both the U.S.A. and Japan have banks, branch trading companies and direct investments even in this country. It behoves us to cement these ties much closer rather than sunder them aside by provoking their hostility. The Indian *native exporters and importers are becoming* more and more active. There would be a delimitation of their profits and activity. The financial prosperity of these would be

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* See my paper "Is Increase in Foreign Trade a Correct Sign of Economic Progress?" in *The Hindustan Review*.

equally gravely affected as that of the Government of India by *the adoption of Imperial Preference.* If retaliation were to be thought of, it would mean a heavy blow to our trade situation and the various other sections who are becoming increasingly active and prosperous as a result of the new direct trade relations with foreign countries.

As the levying of an export duty except on monopolies is condemned by all theorists, the present-day ideal of discriminating protection can be reached by levying import duties on all competing foreign manufactured products entering Indian markets. The reservation of Indian raw products for Indian manufactures by method of export duty process would be a fallacious one. The export trade would become injured thereby. When once the external market is lost it would indeed be difficult to be recaptured. No problem would be so beset with difficulties as the gaining of entry into a highly competitive market. Hence it is suicidal folly to protect the domestic industrialists by sacrificing the *genuine interests of the domestic exporters.* Anyway the interests of the domestic producers, exporters and the consumers have to be safeguarded while keying the pitch of protective policy. A golden mean ought to be pursued while subserving the diverse and conflicting interests.

Coming to our import trade, the essence of any trade agreement ought to be the granting of full freedom to all foreign producers to compete *equally and effectively* in the domestic markets. If the different producers have the same schedule of cost price the problem of protecting the domestic manufacturers is easy and the consumers would have no cause of complaint. But in this practical world the schedule of supply prices would be changing and different countries would have different cost prices for their commodities. This situation complicates the tariff problem of the domestic manufacturers. A country would be in a weak position if its cost of production is rigid and higher than *that of the competing countries in the neutral* markets. The case of Great Britain has been similar to this position. In a highly competitive market as ours the British industrialists are occupying a much weakened position owing to their very high cost of production. *It is to remedy this situation that the trade* treaty is entered into. On British imports such as motors, building and engineering materials, chemicals, drugs and medicines, hardware, leather goods, paints, paper, cycles, rubber tyres, provision furniture, earthenware, *porcelain, umbrellas, etc., 7½ to 10 per cent* preference on all the above articles is to be granted to British manufacturers. A splitting up of the duty between the duty on foreign and duty on British goods is proposed in most cases so as to lessen the burden on the Indian consumers.

There is no gainsaying of the fact that two outstanding results will be forthcoming, *viz.*, that Great Britain will get a much-needed benefit in the securing of a strong foothold in a highly competitive market which is extensive at the same time. If however it means the additional raising of 10 per cent on foreign goods on the existing duties the burden on the foreign manufacturer would indeed be a heavy one. If the competitive advantages are too many even this ten per cent raising would not deter the foreign manufacturer from competing effectively with the British and the domestic manufacturers of ours.*

It is the revenue position of the Government of India that has to be borne in mind. Any *increase in tariff duties might be productive* of revenue only in so far it still allows the entry of foreign goods into the market. If that position were gravely jeopardized a really protective duty brings no revenue at all to the coffers of the Government Treasury. Apart from gravely affecting the revenue position, the interests of the consumer would become endangered if specially the Indian producers take shelter under the high tariff *walls and fail to supply adequately* the demands of the Indian consumers. "Once an infant always an infant," says the protectionist critic who realizes the inherent inefficiency bred as a result of artificial crutches. It is cheap yet best quality goods that ought to be secured at the earliest moment. The sacrificing of the foreign producers say, American, Japanese, German and Belgian on the altar of Imperial Preference ideal has to be deplored. If a wider export of ours is the ideal striven for, it can only be by giving wide entry to all-round imports into the country from these foreign countries. *Our greater export* trade with foreign countries has to be remembered and if foreign imports are to be cribbed, cabined and confined our export trade would have to share a like fate in due course of time.

The extent of the volume of trade with *foreign countries* which is likely to be adversely

* Witness Consul-General Hara's remark in the case of cotton tariff duty on Japanese imports into the country as a result of exchange depreciation.

jeopardized under the treaty, *i.e.*, under the terms of the Ottawa Agreement, is as follows :—

TABLE XVII.

Name of the imported article	1930–1931—Crores of Rs.	
	British Empire	Foreign Country
Motors..	1.2	1.3
Chemicals	1.50	1.11
Machinery and Mill work..	10.7	5.1
Drugs and Medicines ..	.7	1.2
Hardware (Builder's) ..	.17	.2
Paints	.5	.3
Leather Goods	.26	.21
Paper	.9	1.9
Cycles	.4	.7
Rubber Tyres	1.0	2.5
Provision	2.5	2.3
Furniture	.1	.1
Earthenware	.15	.27
Umbrellas	.06	.24

There is intense competition in the above lines of trade and several countries attempt to find a market in this country. A glance at the second volume of the *Sea-Borne Trade of British India* will reveal the intensity of foreign competition existing in different lines of our import trade. It might be that the United Kingdom is the single largest purchaser and importer of goods into our country. But the volume of import trade figures likely to be affected has to be noted. The following table shows this :—

TABLE XVIII.

(Crores of Rupees.)

	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom Merchandise..	110	119	113	103	61
Government Stores ..	6	7	7	6	6
	116	126	120	109	67
Australian Commonwealth ..	7.7	6.6	7.3	5.7	4.4
U. of South Africa ..	.3	.5	.5	.6	.4
Kenya Colony ..	2.2	2.1	2.3	2.9	3.0
Canada ..	1.6	1.7	2.4	1.9	1.3
Hong-Kong ..	.9	1.1	.7	.7	.8
Straits Settlements ..	5.8	5.8	5.1	6.1	3.7
Ceylon ..	1.3	1.9	2.1	1.8	1.4
British Empire	135.8	145.7	140.4	128.7	82.0
Sweden ..	1.2	1.2	1.1	1.3	.9
Norway ..	.6	.8	.7	1.02	.8

TABLE XVIII.—*Contd.*

(Crores of Rupees.)

	1926-27	1927-28	1928-29	1929-30	1930-31
Denmark ..	0.8	0.8	.05	.1	.10
Germany ..	16.9	15.3	15.8	15.7	12.3
Netherlands ..	4.6	4.8	4.7	4.2	3.2
Belgium ..	6.8	7.4	7.1	6.7	4.6
France ..	3.5	4.3	4.7	4.5	2.8
Spain ..	.2	.34	.26	.29	.29
Switzerland ..	2.1	2.6	2.5	2.1	1.2
Italy	6.1	6.7	7.3	6.7	4.5
Australia ..	1.1	1.2	1.4	1.2	.8
Czechoslovakia ..	1.6	1.2	1.2	1.6	.9
Iraq	.7	.9	7	1.0	1.0
Persia ..	1.9	2.9	3.8	3.7	2.7
Java	14.4	11.7	16.4	13.6	10.3
China.. ..	11.2	4.4	9.4	13.0	13.2
Japan ..	16.4	17.9	17.6	23.5	14.5
Egypt ..	.4	.5	.4	.4	2.5
U.S.A. ..	18.2	20.4	17.9	17.6	15.1
	108.08	103.62	113.41	118.21	81.69

In addition to the above fact of intensified competition there is the high cost of production of the British manufacturer which militates against the success of the Imperial Preference measure. The Indian being not only a poor buyer but an excellent higgler would go in for cheap yet good quality material. In case of luxury goods of the rich alone there might be an increased sale of the British products. English motors might find increasing sale but they might find poor chances if the General Motor Company or Ford Motor Company were to start branch factories inside Indian territory and begin to compete with British products. English shoes and leather trade would likewise dwindle if the Bata *Manufacturing Company were to begin operations* in Indian territory. The Swedish manufacturers of matches can afford to compete with domestic concerns and the Swedish match trust is contemplating the buying up of Indian concerns. The Japanese are supposed to be contemplating similar moves to counteract the new *Imperial Preference* measure. Even in the case of capital equipment goods Great Britain might not enjoy favour of the Indian buyer for best quality goods alone would be needed in this direction. Quite recently the contract for such quality goods fell into the hands of a Dutch concern.

In the Government purchase of imports, Imperial Preference already exists for British goods. British residents in Native States *prefer British goods*. British officials of Indian Joint Stock Companies favour British goods. As one recent writer says, "British equipment, British machinery, British specification, and

British methods" are the *usual* standard in India. Hence there exists already a strong sentimental liking and preference for British goods.

The British have the decided advantage of an early start and a firm entrenchment in the trade, industry and finance of the country. No preference should henceforth be needed to secure the continuation of the dominant feature in India.

The much-abused "managing agency" system itself favours British imports. One British firm in Calcutta manages 10 jute mills, 15 coal companies, two hydraulic companies, two oil wells, a flour mill, navigation, rubber, brick, pottery and miscellaneous concerns.

Taking cotton manufactures Britain had an early lead. She ought to continue the lead by all fair means. In iron and steel, machinery and railroad equipment England has well-developed staple products. These require no guaranteed sale by such back-door methods as Imperial Preference.

Recognizing full well that the turn of the import trade wheel has taken place when India's demand for raw materials, new types of goods and equipment materials was felt these needed things could be supplied by the foreign countries. It was not this cause alone that is mainly responsible for Britain's declining share in India's trade . A multiplicity of causes such as "the growth of Indian manufactures, the adoption of discriminating protection, the growth of Indian nationalism, the reform of Indian Government leading to the Indianization of superior posts, the recent changes in methods of purchasing Government stores, the changed character of Indian import demands" are acting as real check towards any increase in the share of Great Britain's position in Indian import trade.*

World factors were again conspiring against Great Britain and its continued domination in the situation of India's import trade. "The price-level changes, changes in the trade balance of India and in methods of settlement of international trade balances, investments of foreign capital in India, changes in organization and methods of foreign trade and the struggle for new markets" have led to Great Britain's losing her predominant share in India's foreign trade. Her comparative hold she sought to maintain by one indirect method, *viz.*, the fixing of the exchange ratio of 1*s.* 6*d.* for the rupee. Her abandonment of the gold standard likewise was a God-sent measure for her export trade in all gold standard countries. But even this did not work wonders for her for the volume of her export activity has not received any very great spurt as a result of her exchange depreciation. Both these measures proved indeed temporary props and hence this third measure, *viz.*, Imperial Preference, has been forged to secure her share of Dominion and Empire markets at least.

Of late foreign nations like Japan, America and Italy are making great efforts to capture the Indian markets. The cry for Imperial Preference becomes more and more vocal as these foreign countries improve their trading hold over us. Imperial Preference is only a mere ruse to check the present decline of Britain's share in India's trade. It is sheer inability to adjust the cost of production that has been ruining British export trader's chances everywhere but he attempts to consolidate the lost ground by exercising his political hold over the daughter countries and colonial areas.†

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*Prof. Roorbach says:—"Foreign goods enter India in *increasing quantities and in widening varieties* and *from more diverse sources* because *changing conditions both within India and without* open the way and pave the road for their more easy entry.' *International Conciliation Pamphlet* on "India's Competitive Market" 1931. Italics mine.

†In spite of the unfair trade agreement which proposes the lowering of the import duty on British galvanized sheets (made from Indian pig iron alone) from Rs. 84–12 a ton to Rs. 30, it is not likely that much headway can be made in the Indian market as against the cheaper but better quality galvanized sheets of Belgian importers into this country. The supplementary agreement thus sets at naught the arguments of the Tariff Board in this respect. On the ostensible plea that Indian exports of pig iron can increase, the Tata Company has been cajoled to agree to this lowering of duty on British galvanized sheets. But the motive of economic exploitation on the part of iron and steel industry of Great Britain is too apparant to need any commentary. Raw materials are to be exported and finished products are to be imported into the country, though cheaper goods of foreign rivals can be secured in the open market. That the Indian tax-payer has been sacrificed on the altar of the Tata Steel Factory has been the prevailing cry in the market. But to add insult to injury even the interests of the consumers are not heeded by this ruthless cutting down of duties on the inferior quality goods so as to facilitate their entry into the Indian markets. It is becoming too apparent that the interests of both consumers as well as the Tata Iron and Steel Industry have been sacrificed.

To take only one example, the case of cotton imports into India can be studied in this connection with some advantage. Depreciated *yen exchange* has resulted in stimulating the Japanese imports into India. It is altogether erroneous to consider this as the only prominent reason why Japan is able to secure a competitive advantage in this case.* But it is forgotten in this connection that Japan is steadily and slowly gaining ground in the Indian market as a result of three factors, *viz.*, (*a*) co-operative action between the Japanese shipper and the transporter. Any increase in the Indian tariff wall will be nullified by the reduction of freight rates. (*b*) Japanese banks and Japanese cotton industry stand closely inter-related. The Yokohama Specie Bank fixes rates on export bills favourable to the export trade. (*c*) The way the marketing of finished products and the securing of raw cotton for the industry is done are both helpful to the Japanese cotton industry and trade. Raw cotton is bought and manufactured cotton is sold by the same agent. Hence the warding off of Japanese competition by the Indian textile trade would be an impossible factor for the present. The report of the Indian Tariff Board itself pays special attention towards the thesis of 'unfair competition' and exonerates it on all counts except one, *viz.*. the employment of women labour and the discarding of the International Regulations of the International Labour Convention with reference to hours of work. Thanks to Mr. Pease—the real reasons for progress on the part of the Japanese cotton industry can be easily grasped. The possession of such colonial advantages as a favourable climate, cheap power, favourable geographic location in respect of raw materials and markets, a considerable supply of cheap labour, capable industrial leaders and business organizers and a persistent will to co-operate and co-ordinate all industrial activity and more so in carrying out well-planned policies for foreign trade expansion and governmental assistance are the real factors giving Japan a safe lead. Neither Lancashire's rationalization efforts, freedom from strikes, nor Imperial Preference measure will be of any great avail to her. Both Lancashire as well as India would stand as poor competitors as against the Japanese cotton industrialists. Lancashire's cost price is somewhat 60 to 70 per cent higher than the Japanese since the latter country went off the gold standard.‡

CONCLUSION.

The lesson is clear. With the growth of the spirit of internationalism in this country, the tendency would be the welcoming of all nations and that nation in particular whose competitive advantages are far greater than others will hold the field in the Indian markets. *All these importing nations will have to* remember that there will be increasing competition at the hands of Indian industrialists in the near future. This law of evolution has to be borne in mind.

Capital is international in outlook and activity. The increased capital investment from abroad in India would only lead to increased trading opportunities between the countries. As American capital investment increased in this country American imports into India began to expand. America will surely defeat the Imperial Preference dodge by starting branch plant organization itself in India as it did in the case of Canada. It will be crossing the Indian tariff wall and nullify the Imperial Preference measure. This is what Japan has done. England will not get much benefit unless her price schedule is very much in her favour. India stands to be a loser ultimately as a result of this unfortunate and unexpected development†. This is the real meaning of the oft-quoted remark that the Ottawa Agreement spells ruin to Indian industries.

*Even when the "*yen exchange*" was rising Japanese cotton Imports took place on a large scale. (See *Japanese Imports in 1925 up to the middle of 1927.*)

‡ The increased cost of production in Lancashire can be understood by the following quotation:—"In June 1914 when the cost of cotton per pound was roughly 7½*d*. spinning and weaving costs of a 120 yards piece of a standard make of cloth was 135 pence. In June last with raw cotton at 4½*d*. the spinning and weaving costs for the same piece of cloth was 264 pence." As a result of this Mr. Lee says that banking and distributing organizationr connected with Lancashire have been losing theis prosperity during the past four years. (See the *Statesman*, p. 8, September 30, 1932.)

†"American branch plant organization has become a rival to American export trade itself in foreign markets while in some cases they are invading the American home market. Henry Ford is responsible for this expatriation of American industry. But unfortunately he is much abused for this industrial migration and ensuing unemployment in American Labour Market." (See Lothrop Stoddard, *Europe and Our Money*, p. 199.)

Some men spend half a day looking for the shortest way to do a piece of work that could be done in an hour.

India and the Ottawa Conference.

By Sir Padamji P. Ginwala,
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Off and on during the last thirty years the question of Imperial Preference has come under public discussion in India, and has been examined on several occasions by the Government of India. But public opinion, generally speaking, was definitely opposed to its acceptance as a principle, and the Government of India also found itself unable to recommend its adoption. It was contended that India had nothing to gain, and a good deal to lose, by the grant of preference to British goods. Further, it was objected that the Indian tariff was mainly a revenue one, in which there was little scope for the sacrifice of any revenue unless it was demonstrated that India received benefits greater and more certain than any which the fiscal system of Great Britain during these years presented. Lastly, India had adopted a policy of protection for the development of her industries, and it was believed that the grant of Preference would be inconsistent with that policy and detrimental to the interests of the protected industries. Even at the Imperial Conference in 1930, India's attitude was that, though she was prepared to consider favourably all schemes designed to encourage development of trade with all other countries of the British Commonwealth, she was not prepared to commit herself to any general tariff scheme within the Empire, but that she must reserve complete freedom to deal with each case as it arises. But on the 20th August, 1932, and within less than two years of this statement of policy, the Indian Delegation on behalf of the Government of India signed at Ottawa a Trade Agreement with the Government of the United Kingdom acting for herself and on behalf of the non-self-governing Colonies. The agreement definitely and for the first time accepts the principle of Preference as a legitimate means of developing inter-Empire trade. Before discussing this agreement it may, therefore, be appropriate to explain the reasons which made this change of policy desirable in the interests of India.

One of the first results of the accession to power of the National Government, in the autumn of 1931, was the abandonment of the policy of unrestricted Free Trade in this country. Early this year the Import Duties Act was passed. This fundamental change in the fiscal policy of the United Kingdom created a completely new situation not only for herself but for the rest of the British Commonwealth. Under the provisions of this Act import duties were levied on a large number of products in which the Dominions, India and the Colonial Empire were concerned. The Dominions and India were exempted from the operation of these duties until the 15th November, 1932, unless before that date reciprocal tariff agreements had been made between them and the United Kingdom. The non-self-governing Colonies, however, were exempted unconditionally from all duties under the Act. The exemption of the non-self-governing Colonies raised for India a problem of first-class importance. Since the question of Imperial Preference was raised at the beginning of the century, these Colonies had undergone tremendous changes and their productive capacity had been immensely increased. Scattered over all parts of the world and having all kinds of climates and conditions, they are favourably situated for the production of those very commodities in which the agricultural population of India has a vital interest, and of which the United Kingdom is the largest customer of India. Except jute, perhaps, there are no commodities of any importance which are not, and, under the impetus of preferences from which their principal competitor, India, is excluded, cannot be produced in increasing quantities in some or other of the Colonies. India could have competed safely on equal terms with the Colonies, but when it became a question of India's products being permanently put at a disadvantage compared with theirs, the situation demanded careful consideration. It was also known that if the members of the Commonwealth did not enter into a mutually satisfactory agreement with the United Kingdom, the latter was at liberty to conclude agreements with foreign countries. Though the possibilities of such agreements being concluded were remote, they could not wholly be ignored. There are some products, such as rice, linseed, coffee, tea, to name only some of the most important, in which foreign countries are serious competitors of India in the British market. In the interests of her agricultural population, India could not afford to lose her market in these commodities to foreign countries, particularly at a time

when prices of primary products are low, and production is far in excess of demand. *In these circumstances the problem had to be* dealt with on a different footing from before. It could no longer be dismissed on the ground that India had little or nothing to gain from Preference. It became necessary also to take into account the probable economic damage India might suffer by not entering into a reciprocal trade agreement with the United Kingdom.

While the potential risk to India of standing aloof was considerable and had to be borne in mind, it would be wrong to imagine that India could wholly have been influenced in *signing the agreement by that consideration.* The immediate exclusion of India from the markets of Great Britain in favour of the Colonies or foreign countries was unthinkable. A change so profound in the economic relations of the two countries could not have been introduced so suddenly without tremendous repercussions in other directions far more vital to the interests of both countries than the question of the immediate sale and purchase of goods. There were other considerations than that of the probable risk which made a trade agreement a singularly attractive *business proposition for India. Until the* change of fiscal policy to which I have referred, the United Kingdom had little or nothing to offer upon which the foundations of a business agreement could be firmly laid. But, she had now definitely abandoned Free Trade and was willing not only to tax raw material but foodstuffs also, and offers of substantial preferences were made. India at present is not an exporter of the kind of foodstuffs which are normally in demand in Great Britain except to a very limited extent, but she has already a vast trade in raw materials *in the market of this country, and there is* room for much greater expansion of it at the expense of foreign countries. By the offer of substantial preferences in respect of these products India's principal objection had been completely met, and a trade agreement on a reciprocal basis appeared to be both a practicable and a profitable transaction.

There is another circumstance which made the present moment more favourable for reciprocal trade agreements. Tremendous advance had been made in the industrial development of India during the last thirty years. *In the jute industry she practically* holds a monopoly and has become the competitor of the United Kingdom in the finished fabrics both here and in other parts of the world. In the cotton textile industry she has begun to supply the major part of her requirements and has become also an exporter of cotton textiles to the different parts of the non-self-governing Colonies. Her iron and steel industry has reached a stage when the export of pig-iron and semi-finished steel *has already become an accomplished fact,* and has opened out possibilities of expansion which would not have been credible even two or three years ago. There are other manufactures of less importance individually, but in the aggregate representing a substantial commercial value, which India may hope to export. Here there was a new field which *had come into existence practically within* the last generation and presented opportunities—which could not be rejected—for the expanding industries of India and for increasing the wealth and the standard of living both *of her agricultural and industrial population.*

Before examining the nature and the implications of the trade agreement, it may be useful to indicate the limits within which any concessions could be made to the United Kingdom. The bulk of British exports to India consists of manufactured goods, of which cotton textiles and iron and steel are *the most important and represent between* them about one-half of the total value of British exports to India. The products of these industries are protected as also those of minor industries. One of the principles which we had to bear in mind was that nothing that took place at Ottawa was to affect the protection granted to Indian industries, or to interfere directly or indirectly with the policy of Protection deliberately adopted by the Indian Legislature. It was agreed from the outset that each member of the British Commonwealth was to develop its fiscal policy in *accordance with its own views and interests.* But in our case the position was somewhat more complicated than in that of some of the Dominions. No Indian industry can receive protection without a public and thorough investigation into its claims by the Tariff Board, and protection once given continues fo a definite period and until such time as the *Legislature in each case determines. We made* it perfectly clear that to agree, where protected Indian industries were concerned, to any preferences to British industries without any enquiry such as that to which Indian industries *had to submit would imply more favourable* treatment of British than Indian industries, and must call for legitimate public protest. It would also involve a serious departure from

our policy of Protection. So far as protected industries were concerned, with one single exception to which reference will be made, we could entertain no proposals and no concessions were asked for or given. Thus India's right to protect her own industries remains intact and she can mould her fiscal policy in any way she thinks advisable, as if the Ottawa Agreement had not been signed.

Though protected industries have been definitely excluded from the scope of our agreement, it is well to explain that British manufactures have been enjoying, even in respect of them, substantial advantages. One of the cardinal principles of the Indian policy of discriminating protection is that, consistently with affording adequate protection to industries, the burden on the consumer should not be higher than the circumstances of each case require. When the steel industry's claim was being examined by the Indian Tariff Board, in 1926, it was found that there was a substantial difference between the prices of imported British and Continental steels. The measure of the protection, according to the practice in India, is the difference between what the Tariff Board considers the fair selling price for the Indian manufacturer and the price at which the competing article enters the country. If this formula were to be literally applied, the amount of a uniform duty, in order to afford protection against competition from both sources, would have been the difference between the Indian fair selling price and the very low Continental price. A heavy uniform duty would have raised the price of British steel far beyond the fair price required by the Indian industry, and all steel in India would have been sold at a higher price than such fair selling price. In order to avoid this, the Tariff Board recommended the imposition of differential duties. A duty equivalent to the difference between the fair selling price of Indian steel and the import price of British steel was imposed on British steel. An additional duty equivalent to the difference between the price of British steel and foreign steel was imposed on the latter. All three kinds of steel, namely, Indian, British and Continental, were thus placed on equal competitive terms. The consumer not only paid a smaller price for steel but was automatically protected by competition between the manufacturers. These differential duties were imposed entirely in the interests of the Indian consumer. The same method was followed in the case of the textile industry though in a modified form and for similar reasons. The result is that, though India has adopted differential duties in her own interest, British industries do in fact benefit by their competing power having been increased. There was nothing received from the United Kingdom in return for the benefit thus received by the British manufacturers, and India would have continued to make these concessions, Ottawa or no Ottawa. But the existence of these differential duties could not be ignored either by the British delegation or by the Indian, and due account had to be taken of them in arriving at the actual assessment of the benefits given and received. It was for this reason that we were able to secure a much better bargain for India and a *quid pro quo* for the differential duties.

As regards about half the imports, we were thus precluded from making any recommendations. But there were other limitations by which we were bound and which arose from our national policy. The remainder of the Indian import tariff is primarily a revenue tariff. On the whole, it consists of a moderate uniform rate of duties on most commodities with certain exceptions in which a much higher duty on particular articles is levied. Further, there are articles, such as agricultural implements and manure, which in the national interest are admitted free of duty. There are other articles, such as machinery, raw materials and dyes, which carry a relatively small duty. When all these exceptions were taken into account, the only commodities which offered any basis for negotiation were those which are subject to the ordinary uniform revenue duty or to higher rates of duty. These represent a little over one-fifth the value of the total imports from Great Britain.

We had also to bear in mind the constitutional aspect of the question. It was clear from the outset that on the eve of the establishment of a new constitution for India we could not make any recommendation which would commit the Government to a tariff agreement binding on its successors. For this reason it has been stipulated that the agreement is terminable at six months notice on either side. When the new constitution is established, and indeed any time before it, the Government of India will be at liberty to shape its policy in accordance with its own conception of its economic relations with the British Commonwealth of Nations, and its own view of the national interests. It may be remarked in passing that the agreements with the Dominions are intended to remain in force for five years.

I shall now briefly deal with the main provisions of the agreement. The undertakings given on behalf of the Government of India provide, in case of the limited number of commodities which are liable to ordinary or higher revenue duties, that a preference of 10 per cent shall be given to British goods, with the exception of motor vehicles, in which the preference is only 7½ per cent. The Government of India is at liberty to give the preference either by increasing the duty on foreign goods or reducing the duty on British goods, or by a combination of both. The British Government have also the same liberty, but it is worthy of note that whilst no dutiable articles are to be admitted free into India even if they are of British origin, many articles liable to duty if imported into Great Britain from foreign countries are to be admitted free of duty if imported from India. On the figures for 1929-30 British imports which will receive preference amount approximately in value to £17,000,000—out of a total, approximately, of £80,000,000.

Now I shall pass on to the concessions made by the United Kingdom Government. Under the *Import Duties Act, 1932, and* certain Revenue Acts passed prior to that year, certain preferences were given to India. In no case do they amount to less than 10 per cent; in some cases they amount to 20 per cent. and where specific duties are imposed they amount to a much higher figure. These preferences have been retained. The value of the goods likely to benefit by these preferences amounts to about £38,000,000. Tea represents about half the value, the imports *in 1929* amounting to *307,000,000* lbs. The preference is 2*d*. per lb. On unmanufactured tobacco the preference is 2*s*. 0½*d*. per lb. and on cigars 3*s*. 10¾*d*. per lb. In 1929, the imports of unmanufactured tobacco from India amounted to 9,000,000 lbs. in weight, and of cigars to 49,000 lbs. in weight. In the case of tobacco there is a further provision which has been extended to the whole Empire and that is that these preferences are to continue for a period of 10 years.

Another article of the agreement provides for new preferences varying from 10 to 15 per cent *ad valorem*, and amounting to a much higher figure in the case of some of the articles on which a specific duty has been imposed. The most important of these is a *10* per cent preference on linseed. The demand for linseed in the United Kingdom on an average of four normal years amounted to 314,000 tons a year. India has on an average exported 215,000 tons a year, but only a quarter of this was taken by the United Kingdom. Indian production of linseed reached 533,000 tons in 1922-23 as compared with 257,000 tons in 1930–31, which shows that it is possible for India, if the new preference proves to be effective, to expand her trade in linseed with the United Kingdom. If she were to do it, nearly 2,000,000 acres more could be brought under cultivation for linseed. On some of the important oils the preference was increased from 10 to 15 per cent. On rice the preference is 1*d*. per lb., which will benefit both India and Burma, for there is room for a considerable quantity of Burma and Indian rice in the British market. *There is also a preference* of 2*s*. per quarter on wheat in grain. At present India is not very much interested in the export of wheat. But when the production of wheat increases by the gradual development of the Sukkur Barrage Scheme, she may well hope to secure a footing in the British market. The preference on coffee was raised from about ¼*d*. a lb. to 1*d*. a lb. I regard these new and enhanced preferences of peculiar value to India. With the exception *of coffee, the competition in the British market* is from foreign sources. The benefit of these preferences, therefore, is not shared with India to any appreciable extent by other parts of the Empire. The value of the trade, excluding wheat, in these articles, is in the neighbourhood of £20,000,000—though India's share in it at present is only about one-tenth. The products, with the exception of magnesium chloride, are all agricultural, and will present no special difficulty in making the quantities *available within a comparatively short period,* if the preferences prove effective.

There were certain articles which were liable if imported from foreign countries to the duties levied under the Import Duties Act. In some of these articles, such as raw jute and myrobalans, India had a monopoly. In others, such as lac, the competition came from synthetic or other substitutes produced in Great Britain. Where India had a practical monopoly, preferences would have served no practical purpose and would have unnecessarily enhanced on paper the value of British concessions. But extended replacement of India's natural by British synthetic products clearly needed attention. At our request, *both classes were transferred to the free list.* The average value of the imports from India of these articles amounts to about £9,000,000 per annum.

There are certain unscheduled articles for

which India did not seek any preference. But even in respect of these she has benefited by the general provision that India shall get the same preferences as are granted by Great Britain to other parts of the Empire. Miscellaneous articles of the value only of about one-and-a-half million pounds benefit by these preferences, but the automatic application to India of preferences granted to any other part of the Empire is a valuable asset.

Now a brief reference must be made to our agreement with the United Kingdom on behalf of the non-self-governing parts of the Empire. Some of the Colonies are precluded from granting preferences by international obligations, others for revenue and other considerations are unable to give high or any preferences. Within these limitations preferences have been exchanged between the Colonies and India. With a few exceptions, the rate is 10 per cent. But, subject also to a few exceptions, there is a general provision that wherever preferences are given to the United Kingdom they shall be extended to India. On the part of India also it is stipulated that any preferences given to the United Kingdom shall be extended to the Colonies. The benefit of these latter preferences is not likely to be very great to the Colonies, for the preferences given to the United Kingdom are in respect of manufactured goods mainly, and the Colonies have not reached a stage of industrial development when they can benefit by such preferences. But the grant of the same preferences to India as the United Kingdom gets from the Colonies has a great potential value for India. She is already interested, or is soon likely to be interested, in the export of the same classes of articles as the United Kingdom, particularly cotton textiles, iron and steel, and jute fabrics. The figures of export and import of the Colonies are not available in a form which would enable us to estimate the probable advantages in pounds, shillings and pence, but it may be generally stated that on the present position the account is about evenly balanced. But as time goes, India's exports, particularly in the manufactured articles, will gradually tend to increase, and to that extent India has achieved a distinct success. What is of still greater value is that an important principle has been established, that in every part of the Colonial Empire India shall compete on a footing of equality with other members of the Commonwealth.

I shall now refer to the exception which [illegible] with India's protected industries. As has been stated, steel is a protected industry. In certain classes of steel there are already differential duties fixed by the Steel Industry Protection Act of 1927. In these there was no room for any concessions or alterations. But there are other classes of steel which, though protected, are subject to a uniform protective duty. Of these the most important was galvanized sheets. Owing partly to the expansion of the steel industry in India, but owing more to the competition from the Continent, British sheet had been losing ground and, even making allowances for the diminished demand, the position of the trade had been seriously menaced. It was possible, therefore, within the limits of the protective scheme to come to an understanding with the United Kingdom, provided that India derived a substantial advantage in return. For several years past India had been exporting considerable quantities of pig-iron, but the surplus capacity, for which there is no outlet in India or outside, amounts to about half a million tons a year. Further, owing to the reduced demand for rails on the part of Indian railways, the only steel works in India had found it impossible to operate up to anything like full capacity. The obvious outlet for India lay in the export of pig-iron and semi-finished steel to the United Kingdom to replace large quantities of both which are being imported from the Continent. Under the Import Duties Act unless some arrangement was made before the 15th November, pig-iron and semi-finished steel were liable to the duties levied under that Act. In order, therefore, to secure a free entry for these products into the United Kingdom, some concession had to be made, and galvanized sheets furnished the most suitable basis for a reciprocal agreement.

The essence of the arrangement is that in consideration for the free entry into the United Kingdom of pig-iron and semi-finished steel, which are subject to a duty of 33⅓ per cent if foreign, galvanized sheets imported from the United Kingdom into India will be liable to a duty of Rs. 53 per ton, and foreign, as at present, to Rs. 83-12-0 per ton. In order to stimulate the export of Indian semi-finished steel, a further provision is made by which sheets, made out of Indian sheet bar and exported to India, will be subject to a duty of only Rs. 30 per ton. Such an arrangement will enable the British sheet rollers to pay a higher price for Indian sheet bar, or enable the Steel Company to send them to be converted into sheets and re-exported to

India on its own account. An assurance has been given by the manufacturers of both countries that business to their mutual advantage can and will be done on this footing. The arrangement is to last until March, 1934, when the Steel Industry Protection Act comes up for revision.

This part of the agreement is a distinct advance in the direction of what is often described as complementary production. A new principle has also been introduced into the fiscal and industrial systems of India, namely, the levy of a smaller duty on finished goods made out of Indian raw material which, if judiciously developed, may have far-reaching effects not only on the steel but also on the cotton textile and other important industries. Incidentally, I would like to mention that the existing margin of 25 per cent in favour of Lancashire imposes on her the responsibility for increasing the use of Indian cotton. Though differential duties are imposed in the interest of India, failure on the part of Lancashire to counteract the continued contraction of the Japanese market for Indian raw cotton which must result from the substitution of Lancashire for Japanese cotton textiles, might create a more acute problem from the Indian cotton growers' point of view than the welfare of the Indian cotton textile industry. Should such a problem be allowed to arise, India may be compelled, in the interests of her agriculture, to reconsider the system of differential duties in its application to the cotton textile industry on lines which may result in less favourable conditions for Lancashire than it is possible to give her at present.

I would like to say a word about the Dominions. They were busy with their negotiations with the United Kindom and amongst themselves, and it was not possible within the time available at Ottawa for us to come to any definite agreement with them. Views, however, were exchanged with all of them and it would be desirable for the Dominions and India to come to some definite understanding at as early a date as possible. Industries, such as cotton and jute, textiles, iron and steel, in which India has immense natural advantages, and in which she may hope to develop a substantial trade with the Dominions are at present placed at a disadvantage in competition against the United Kingdom in the absence of agreements. There are also other commodities, such as coffee, tea, rice, and other staple products of India, in which the possibility of the development of Indian trade with the Dominions is also far from negligible. The Dominions, on the other hand, have a large potential market in India for many products which India needs but which, owing to climatic conditions, she cannot produce or, owing to geographical conditions, cannot market economically.

The nett results of the agreement may now be summarized as follows. The total value of our exports to the United Kingdom amounted to about £55,000,000 in 1929–30. The preferences accorded by the United Kingdom in no case are less than 10 per cent. and in several much higher, and benefits imports into the United Kingdom to the extent of about £40,000,000. At our request, imports aggregating about £9,000,000, on which preferences had originally been given, were placed on the free list. The total of these two classes of goods practically covers the whole of the imports from India into the United Kingdom, with the exception of raw cotton, manganese and other minor products, the aggregate value of which is in the neighbourhood of £5,000,000. A valuable outlet has been found for Indian pig-iron and semi-finished steel. At present, our account with the Colonial Empire is about even, though, taking a long view, we have secured a valuable potential market in the Colonies for our manufactured goods. Our concessions to the United Kingdom under the agreement exceed in no case 10 per cent. The total imports from the United Kingdom into India amounted to about £80,000,000 in 1929–30. The value of the imports actually covered by the new concessions is about £17,000,000. But the United Kingdom already enjoyed what in effect constituted preference in the shape of differential duties in case of two major protected industries. Though the proceedings at Ottawa were in no sense responsible for these benefits, in balancing the account about £30,000,000 should be added to the value of the goods benefiting by the differential duties. It must, however, be remembered that even if there had been no Ottawa Agreement the United Kingdom would have continued to enjoy the benefit of the duties in respect of these imports without giving anything in return to India, for these duties were imposed entirely in the interests of India and must continue to be imposed for that reason. Indeed, they have become so necessary a part of our fiscal system that even some of the most uncompromising opponents of preference in any shape or form have demanded, and succeeded in obtaining, from the Government of India their imposition on imported cotton textiles.

On this view of the matter the Ottawa Agreement *has secured for India preferences on* the bulk of her exports to the United Kingdom, and given new concessions in respect of about one-fifth only of the imports from the United Kingdom into India. This may be regarded as a substantial *quid pro quo* for the differential duties which India would never have received *but for that agreement*.

Another point remains to be considered. One of the grounds on which any scheme of preferences is *opposed in India is that it* might lead to retaliation by foreign countries. It is urged that India's exports to the United Kingdom and the Dominions amount only *to about one-third of the total exports*, whilst foreign countries absorb two-thirds of them. In my opinion, this fear is without real foundation. *In any case that risk has to be taken* by India, like any other protectionist country. The protection of her industries and the adoption of the system of differential duties *in her own interest* must lead, as regards manufactured articles, in which alone preferences have mainly been given to the United Kingdom, *precisely to the same results*. As I have shown, the trade affected consists of manufactured articles and forms but a fraction of the value of the total imports of India. On the figures of 1929-30 they do not exceed appreciably more than 10 per cent if the protected articles are excluded. *Even if such were not the case, there is no* legitimate ground for any foreign retaliation. It has never been suggested that India or *any other member of the Commonwealth has*, by entering into trade agreements within the Empire, intended to barricade itself gaainst the rest of the world. Each nation has the right to buy or sell in the market which upon all relevant considerations appears to it to be the most profitable. If foreign countries *afford the same or better opportunities, there* is nothing in the Ottawa Agreement that I know which could prevent India from negotiating or entering into trade agreements with such countries. But there is this to be remembered. Owing to the "most favoured nation" clause a foreign country cannot give India *a benefit which she will not* have to share with other countries. Trade agreements within the Commonwealth have this advantage, *that no* foreign nation can claim a share in the benefit conferred by an inter-Empire agreement. What is still more important, one member of the Commonwealth may enter into an *individual agreement* with another without extending the benefit to any other member of the Commonwealth *not a party* to the agreement. The advantages of such agreements are too obvious to need elaboration.

Before concluding, I would like to sound a note of warning. People are apt to assess the benefit of a preference by the difference in duties between foreign and Empire goods. This is a poor, if any, criterion of the actual benefit conferred. The real test is the likelihood of increase in the total quantity of trade *between the countries*. If the preferences prove effective the capturable trade in the United Kingdom for India is far greater in volume and value than that for the United Kingdom in India, for India already purchases about 50 per cent of her imported manufactured goods from the United Kingdom and *43 per cent of her total imports*. *The* United Kingdom imports, on the other hand, only 4 or 5 per cent of its requirements from India, 73 per cent from foreign countries and the remainder from other parts of the Empire. It is impossible to say without more experience how these preferences are likely to affect the *volume of trade*. Much still remains to be done if we are serious about diverting the trade which is in the hands of foreign to Empire countries. The first essential of success is that the preferences must, within the fiscal system of each part of the Empire, bridge, where possible, the difference in prices of im*ported foreign and Empire goods* by the imposition of adequate duties. This cannot be done without a detailed enquiry by independent *authorities free from political* influences. Without some such enquiry, experience may show that the agreements had failed of their purpose or only partially succeeded. *Inadequate preference ,in my opinion*, is worse than no preference. It involves unnecessary sacrifice of revenue without benefiting the country to which it is accorded. It would from all points of view be far more advantageous to select important industries and give them adequate preference, subject to the claims of the domestic industries, than to extend small preferences over a wider area, which produce no practical result but lead to loss of revenue or increase the burden on the consumer.

No one claims that the Ottawa agreements have brought the millennium any nearer or that they will fulfil all the *expectations* which were raised before the Conference. But one thing may be said with some confidence. The Ottawa Conference is the most outstanding event for generations in the economic

history of the world. If the agreements prove to be effective, a long step will have been taken towards dissipating the clouds which have been hanging over a troubled world for years, and towards the re-establishment of its prosperity, which must largelydepend on the orderly development of its economic conditions. Let us hope that the World Conference will complete the edifice of which the foundations were so well and truly laid at Ottawa.

A Contribution to Characterization of the Crisis.

By Professor Gustav Cassel.

In a number of previous articles and papers I have endeavoured to throw light upon the nature of the present crisis, as being a crisis in the world's monetary system. In my Cecil Rhodes Lectures at Oxford* I surveyed the chain of causes which lie behind the crisis, endeavouring to show that the principal links in this chain are the unnatural demands for the payment of reparations and war debts; the reluctance of the recipient countries to take payment in the form of goods and services; the lop-sided ditribution of gold in he world, greatly aggravating the effects of the existing shortage in the supply of gold; the sharp fall of prices; the general insolvency and loss of confidence; the paralysis of enterprise; the increasing trade barriers; and the collapse of the world economy. One of the principal elements in this causal nexus is the failure of the recipient countries to utilize their increasing gold reserves for a corresponding rise in the level of prices and their curious policy of actually following along in the deflation which, in view of the depletion of gold, was quite natural in the rest of the world. This feature deserves further elucidation. In such an anlysis primary consideration must be paid to the country which at present plays the leading part in the development of the world economy, namely, the United States.

The question why the United States have been exposed to a sharp process of deflation in the midst of a very copious supply of gold can be answered only in connection with a general analysis of the character assumed by the economic crisis in that country. Widely differing views are constantly being advanced on this subject. In most cases these views are based on some preconceived opinion regarding the regular course of economic crises in general, scaracely attempt being made to investigate how far such conceptions are applicable to the actual economic development of the United States in recent years. For example, the widely spread notions that the crisis was caused by previous "under-consumption" and excessive saving have been taken as a basis for reflections which by no means accord with reality. But also explanations of quite an opposite character, proceeding from the assumption of excessive consumption, have been put forward with no better claim to support from the evidence of the available material. The lack of equilibrium between saving and real investment which, according to earlier economic investigations, is the central feature in usual crisis, is likewise an entirely inadequate explanation of the sorry plight into which the economic life of the United States now has fallen. A more thorough study of what has actually occurred will compel us to dismiss such dogmatic views, and will make it perfectly clear that the course of economic events in the United States is essentially a pure process of deflation, quite distinct from ordinary economic movements, a process which began on a small scale as far back as 1929, and which has afterwards developed with such momentum that it is grinding to pieces the entire national economy.

The statement that the crisis was preceded by excessive saving can most easily be checked by examining the rates of exchange. Inordinate saving should at any rate have resulted in a great reduction of the interest charged on ordinary bank loans. From this point of view it will be instructive to study the following table, which shows the average rate of interest on bank loans in the month of June for several successive years :—

Date	New York City	Southern and Western States (Principal cities)
	Per cent.	Per cent.
June 1927	4.60	5.54
,, 1928	5.09	5.67
,, 1929	5.93	6.16
,, 1930	4.59	5.69
,, 1931	4.13	5.34
[illegible]	[illegible]	[illegible]

* "The Crisis in the World's Monetary System," [illegible]

These figures show that the rates of interest before the crisis were by no means at a level indicating any superfluity of capital. We indeed observe a rise in the rates of interest up to the culmination of the boom; this rise, however, is remarkably moderate and lends no support to the supposition of an abnormal increas in real investment : no more does it bear out the view of an abnormal increase in consumption, ruinous to saving.

The aggregate deposits in all the banks of the United States in June 1924 totalled 43.4 milliard dollars; by June 1929 they had increased to 53.9 milliard dollars, that is, by 10.5 milliard dollars. This sum, absolutely speaking, seems rather large: but the increase is only 24.2 per cent of the sum taken as a basis of comparison, and corresponds to an annual increase of 4.4 per cent, which for a country like the United States is by no means abnormal. The supposition that the general public should have insisted on hoarding is, so far as can be judged from these figures, quite as groundless as the opposite view that excessive consumption had put an end to saving.

If we examine consumption as reflected in the figures for sales in "department stores" it will be found that the index number for June 1929 —based on the average for 1923-25 and corrected for seasonal variations—was 113. This indeed is a rise, but it is much smaller than might have been expected.

We should, however, be cautious in drawing conclusions from the total volume of consumption. *During the period in question consumption showed considerable changes in character. People had begun to consume smaller quantities of food than before and to attach more importance to quality.* A similar observation may be *made in regard* to apparel. Whereas the consumption of silk, for example, for June 1929 was represented by an index of no less than 159, the consumption of wool had remained almost at a standstill. Certain other branches of consumption likewise show an abnormally large increase; the index number for newspapers, for example, was 142. The immense increase in the consumption of paper boxes as shown by the index number 180, points to a considerable increase in the consumption of certain goods of fine quality. The large increase in the consumption of cigarettes, indicated by the number 173, scarcely bears out the supposition of general "under-consumption". From this point of view the [illegible] index numbers are those which show the development of motor-car traffic. For June 1929 the index numbers for the production of petrol and of pneumatic tyres were 199 and 167 respectively. The expenditure entailed by the keeping and driving of motor-cars has evidently consumed such enormous sums that people have been obliged to restrict themselves in other spheres. This is a fact which must constantly be kept in mind when figures relating to *the development of production and employment during the past decade are discussed.*

Another question is whether investments in real assets have been beyond the normal. If this was actually the case, the tendency would, of course, have been reflected in the general index numbers for industrial production. For the years 1928 and 1929, however, these index numbers were no higher than 111 and 119. For the month of June 1929, when production reached its culmination, the index had indeed risen to 125. But even this maximum is quite a moderate figure, representing an average increase for the last five years of barely more than 4.5 per cent. If we turn to the index for building we shall find considerably higher numbers. The index for building contracts rose to a maximum of 135 for the year 1928. The index for residential building which is included in this figure, was, however, only 126, corresponding to an average increase of less than five per cent for the five-years' period. The other principal items in the more comprehensive index are public works and "public utilities".

As it has been asserted that the excessive tying-up of capital in industrial enterprise had played a decisive part in bringing on the crisis, it is instructive to glance at the absolute figures for investments in industrial buildings. These figures* are:—

1927	..	..	..	493 million dollars.
1928	..	..	..	635 ,, ,,
1929	..	..	..	757 ,, ,,
1930	..	..	..	469 ,, ,,

The increase of about a quarter of a milliard dollars which occurred during two years of boom is by no means impressive. *And the actual total for industrial building during the year 1929, when the boom culminated namely, 757 million dollars, is rather insignificant in comparison with the total expenditure on building for that year, which amounted to 5,751 million dollars.* As the national income of the United States for this period is

* Being stantistics for 37 States east of the Rock Mountains.

estimated at roughly 90 billion dollars, we see how the facts have been magnified out of all proportion when it is asserted that excessive investments in industrial plants have shattered the foundations of the country's entire economy. A number of industrial establishments have, of course, had their productive capacity needlessly increased. It should, however, be borne in mind that reconstruction of industrial plants, accompanied by a perpetual increase in effectivity, has been proceeding all the time, and that the nominal excess in productive capacity will no doubt be considerably reduced when all old-fashioned establishments have once been weeded out.

What has apparently conduced more than anything else to give the general public an exaggerated notion about the investment of capital are the statistics for issues of capital for public subscription. These issues rose from 5,557 million dollars in 1924 to no less than 10,091 million dollars in 1929. It should be observed, however, that the figures do not in their entirety represent real investments. For example, during the later years of the boom industrial companies issued large amounts of capital in order to pay off bank loans or to accumulate reserves, which were temporarily lent. Moreover, immense issues of capital were made by investing companies: these issues must, of course, be deducted, if we are to avoid reckoning the figures twice over. The actual investment of capital has thus been considerably less than is indicated by the official statistics. The above-quoted figures for production doubtless give a far truer idea of the general trend.

That American industry had no excessive amount of capital at its disposal is clearly shown by the fact that during the boom it was found necessary to restrict the export of capital very considerably in order to provide for internal requirements. If, on the other hand, as many people suppose, investments in fixed assets had been so excessive that the capital required for the purpose could not be supplied from savings, this would obviously have entailed an abnormal extension of bank credits. The result would have been a rise in the general level of commodity prices, such as hitherto has been regularly observed in every period of boom. Such a rise, however, did not occur. The average price level (according to the index of the Labour Bureau) for the years 1923-25 was 101. For the year 1929 the price level had fallen to 95, which was also the index for the month of June. The level of prices thus fell by 6 per cent during this five years' period. In itself this is not a very marked fall, but the mere fact that the price level had fallen at all shows that the banks had not, as in ordinary periods of boom, eked out the real savings available by excessive lending. On the contrary, there seems to have been throughout a certain tendency towards deflation, though its ruinous force was temporarily kept in check, so that it did not manifest itself until the crisis supervened.

From the point of view of production the period 1924—29 obviously represents a boom, culminating in the last-mentioned year. This boom, however, will be found to have been singularly moderate, compared with previous periods.

The best creterion of the real trend of economic progress is nowadays the production of steel ingots. On an average for the years 1923—25 this production amounted to 3,500,000 tons. In 1929 it attained a maximum, the figure for that year being 4,633,000 tons. This increase is represented by an index of 132.4 for 1929 which is thus barely one-third, corresponding to an average increase of less than 6 per cent during the five years' period. This figure may be set off by the fact that the production of pig iron in the United States for the entire period 1870—1910 showed an average increase of seven and a quarter per cent per annum. The doubling off the production of pig iron during a period of boom was then nothing unusual.

We thus arrive at the conclusion that the boom in 1924—29 may be designated as a very moderate boom, which moreover entirely lacks the usual accompaniment of a rise in the general level of prices or an inflation of the currency. There is, therefore, no reason whatsoever why such a singularly moderate and controlled economic trend need terminate in a ruinous crisis. Nor is there any sense in the attempts made to explain this crisis by reference to a lack of equilibrium in the national economy before 1929: Such attempts were perhaps excusable during the first few months of the crisis, but now that the crisis has revealed its real significance and its terrific extent, the time has come to dismiss such explanations out of hand.

A real boom of alarming dimensions occurred in the United States only on the stock exchange. The rises in the prices of stocks and shares were excessive beyond all reason and showed how utterly people in America may lose their heads when they are seized

with what may be termed an economic mass psychosis. This observation may afford some little consolation in the present misery, as it may permit us to believe that the American stock exchanges have afterwards proceeded to the opposite extreme.

The stock-exchange speculation was, however, a movement somewhat apart from actual industry and commerce. The notion that speculation as such had drained industry and commerce of large amounts of capital thus impeding the normal course of progress, was at the time combated in these columns from a theoretical point of view. And in fact, in the light of developments, it has proved to be entirely devoid of substantial foundation. The somewhat naive expectations that the collapse of speculation would release large amounts of capital, which would then automatically flow into industry and commerce, have proved to be equally flimsy. The speculation *on the stock exchanges naturally increased the demand for means of payment, but this demand was met mainly by an intensified use of bank deposits. In New York, for example, the index number for* "Velocity of bank deposits" rose to 182 for June 1929 and right up to 244 for October in that year. Outside New York the index number likewise rose, though in a considerably smaller degree. The figures for June and October 1929 were 126 and 137 respectively.

Stock-exchange speculation was doomed to collapse, but the inevitable restoration of stock exchange prices to a more normal level ought to have taken place without anything more than a transient repercussion on industry and commerce. That the crisis on the stock exchange in the autumn of 1929 became, instead, the introduction to a general economic crisis of unique magnitude cannot be explained at all by any factors inherent in speculation. *Some entirely new factor must have supervened. This new factor was a deflation, which radically changed the purchasing power of the currency, and the ensuing crisis has in essentials the character of a pure process of deflation.*

The deflation was *introduced by the campaign against stock-exchange speculation* which the Federal Reserve system, in defiance of all warnings, took up from the spring of 1928. This campaign included a restriction of credits which handicapped productivity and started the fall in the level of commodity prices which was afterwards to become so disastrous. But the most far-reaching consequence of this campaign was that it set public opinion in the direction of deflation.

The general level of commodity prices, which by June 1929 had sunk to 95, was further reduced to 87 for June 1930, and continued to fall, so that it came down to 72 for June 1931 and right down to 64 for June 1932. This very marked and continuous fall of prices cannot possibly be interpreted as a result of preceding *economic*, non-monetary disturbances. It has evidently been determined by a factor which continued to operate throughout and directly tended towards an increase in the *purchasing power of money*. There were no doubt dislocations and disturbances in economic life which required rectification, but the necessary adjustment to a new equilibrium might have taken place by a natural development of free economic forces. There is no reason whatsoever to suppose that a variety of economic "mal-adjustments" *had combined to bring about an one-sided rise in the value of the monetary unit, which has continued for years. Such explanations of the fall of prices, which are now being launched as the summit of statistical wisdom, are in fact, at bottom, entirely* worthless.

In the greater part of the world, which had been exposed to losses of gold, the lowering of the level of commodity prices was quite natural. Such a fall, however, never affects all prices in equal degree. Certain groups of prices are much less resistant than others. In the present case the fall of prices particularly affected agrocultural produce and colonial raw products, and, in general products emanating from the debtor countries, which were forced into further exports of gold in order to meet their obligations. A fall of prices caused by monetary factors thus gives rise to profound disturbances in the economic equilibrium.

In view of these disturbances people in America endeavoured to restore equilibrium by pressing down other prices to a level with those which had already fallen furthest. People were blind to the fact that this method could never restore equilibrium at all, but could *only result in the continuation of the general process of deflation, probably with the accompaniment of further disturbances in the economic equilibrium.* The public were told that economic recovery could be obtained only by reducing the "costs of production". What this exactly meant was not clear. In so far as the costs of production could be reduced by improvements in technique and

organization this was obviously an advantage. Such a process, however, could not possibly be expected to remedy the profound lack of equilibrium in the general economy. This evidently could be done only by a readjustment of *the prices of the factors of production*. For example, if raw products had fallen in price, the remedy, according to the deflational view, must lie in a corresponding lowering of the prices of the other factors of production. The deflationist programme therefore aimed ultimately at a reduction of wages and a partial cancellation of debts. In the former case social conflicts entailing immeasurable consequences had to be reckoned with. In the latter case all legal security was being jeopardized, and people were entering on a path which was bound to lead to general insolvency and thus to an insuperable distrust in any new investment of capital. These consequences, however, were brushed aside, and people continued to preach the reduction of " the costs of production " as the only efficacious remedy for the crisis. It was actually declared, in a spirit of puritanism, that the deflation must continue until all rickety enterprises had been completely weeded out. These people overlooked the fact that continued deflation would be bound in course of time to make all enterprises " rickety ", and that such " weeding-out " thus lacked the moral justification invoked by economic puritanism. The mischievous puritan element in this programme of deflation was brought still more clearly into relief by the demand that the stock-exchange speculators should be thoroughly punished for their excesses, and that the fall of prices must therefore proceed until the evil powers of speculation had been completely eradicated.

The bank legislation of the United States, in conjunction with the prevalent view in the country of the position of private banks in relation to the Federal Reserve banks had set the whole course of development in the direction of deflation. Attention had previously been so completely absorbed in preventing any possible inflation, that the door had been left wide open for deflation, without any suspicion of the danger that lurked therein. The prevalent view that the member banks ought not to be indebted to the Federal Reserve banks was a serious impediment to spontaneous resort to the credits which the Federal Reserve banks might have supplied in order to counteract the deflation. The Federal Reserve system was thus somewhat isolated from banking at large, so that the market rates of interest were but little affected even by radical reductions in the official bank rates. The obstacles placed by legislation in the way of big banks with branch offices, which led to the splitting up of banking into a countless number of small banks, was found directly to promote the further progress of the deflation which had been set into operation. The small local banks were in fact distrusted and compelled to liquidate. In order to avoid a similar fate, the other banks were obliged to maintain a very liquid position, and accordingly withdrew their credits to customers. This resulted in a further aggravation of the deflation, increased insolvency and new bank crashes. The *very structure of the United States banking* system thus entailed the automatic accentuation of the deflation with accumulating strength.

This disastrous movement could have been checked only by a determined policy of anti-deflation on the part of the Federal Reserve banks, and by their active intervention with a view to the extension of the effective supply of means of payment. They were, however, deterred from this policy by their general attitude towards deflation, and especially by an almost superstitious dread of anything that could be stamped as inflation. So long as they adhered to their view of deflation as a natural consequence of irresistible economic forces, any direct resistance to deflation assumed the character of unnatural interference in the course of economic life; it was in fact actually condemned as such, being characterized as monetary charlatanry, which merely conduced to palliate the real disease. A definite policy of anti-deflation would have been possible only if it had been understood that the deflation itself was a monetary phenomenon, and in fact an index of very deep-seated evils in the world's monetary system, and expecially of wrong trend in American monetary policy. But people were still very far from realizing these facts, and even to this very day the leaders of public opinion have by no means been able to grasp them, and to draw the logical conclusion that the remedy must likewise be of a monetary character.

The Federal Reserve banks themselves were greatly retricted in their grant of credits by legal provisions and by the regulations regarding gold cover for notes. Not until the Glass-Steagall Bill of the 27th February last became law, was an extension of rending rendered possible by enabling

United States bonds in certain cases to be accepted as note cover. The Federal Reserve banks were moreover prevented from directly intervening as lenders to the public when credit could no longer be obtained from the private banks. The impediment to such direct lending to the public was not removed till quite recently, namely, by an amendment to the Federal Reserve Act, of the 21st July 1932. *In these cases the legislators have practically admitted that the previous legislation was warped by dread of inflation and had made it impossible to check deflation effectively.*

The powers granted to the Federal Reserve Bank to extend the basis for their grant of credits by the purchase of Government bonds was long left practically unutilized. Not till April last were such purchases made on any scale. At the end of June 1932 the Federal Reserve banks held United States securities to the amount of 1,784 million dollars, which represents an increase of 1,116 million dollars as compared with the corresponding date in the preceding year. It may thus seem as though the purchases of United States securities had been on quite a large scale. *And indeed it has actually been contended that the inefficacy of the method for checking deflation has now been proved, as even such large purchases had failed of their effect.* It should be noted, however, that the Federal Reserve banks in the course of the same period had been depleted of 831 million dollars in gold, and that the bulk of the newly purchased bonds had thus merely served to replace the gold lost. Though the sum of rediscounted bills increased during the year by 291 million dollars, no real increase in the supply of means of payments was effected. True that the Federal Reserve banks had thus increased their circulation by 1,072 million dollars. These notes, however, were *hoarded by the general public who had lost their regular connexions with the banks, or were under the impression that large holdings of bank notes were necessary for adequate liquidity. The principal element in the supply of means of payment, namely, the deposits of the member banks with the Federal Reserve banks*, had diminished during the course of the year by 398 million dollars, and this diminution signified a very considerable restriction of the capacity of the private banks for supplying the general public with means of payment. The demand deposits with the member banks moreover diminished from 18,055 million dollars in June 1931 to 14,413 million dollars in June 1932.

In order to check the deflation and restore the normal level of prices, the purchases Government securities by the Federal Reserve banks should have been on a far larger scale. The fact that no tangible results have as yet been gained does not in the least invalidate the efficacy of the method.

Besides, it is by no means certain that these purchases of securities will not eventually bear fruit in the form of a rise of prices. If only confidence is restored, the piles of notes that have now been hoarded may be brought into circulation, and this increased purchasing power may prove to be the introduction to a marked and beneficial increase in the level of commodity prices. Whether the rise of prices which set in about the middle of the present year is an indication that the more copious supply of means of payment is beginning to take effect, is still an open question.

Yet with this *insistent demand for the* conservation of capital, the stricken Lancashire industry is in the throes of an industrial conflict which may destroy it. For causes we must go down into the history of the trade. Lancashire was built up on the intelligent workman; there are still at the head of scores of mills men with the clever artisan outlook. That is one reason why every attempt to rationalize the productive power of the industry and modernize its marketing system has broken down. Every Lancashire man is as good as his neighbour—and better. In the halcyon days of the industry, the operatives were the most prosperous in the world. *It was not so much that individual wages were high though they were good; but the collective earnings of the family often brought fifteen to* eighteen pounds a *week into the house.* The operative therefore clings to a wage standard, and to a wage service which was possible only when Lancashire textiles were supreme in the world; when confronted by the inexorable facts of economics, he points to the just criticisms of the disorganization of the industry on the capitalistic side. So the vicious circle is complete.

The man who is afraid to do too much for people he does business with, need not be afraid of having too much business to do.

The English in India—A Problem of Politics.

By Dr. Lanka Sundaram, M.A., Ph.D.

The India Round Table Conferences during the past three years have so suddenly quickened international interest in matters relating to the fortunes of our country that books on the "Indian Problem" have become too numerous. Constitutional lawyers and publicists, politicians and pamphleteers have brought out a crop of publications on India which belong to the category of the *livre de circonstance*. Sir John Marriott claims that his present volume* does not necessarily belong to this category and stop at that. He hopes that his study of the "English in India" may help to solve the numerous points at issue between the Britishers and Indians at the present day. Published almost on the eve of the Second Round Table Conference, Sir John Marriott's survey of the Indian problem attained considerable recognition both from the hands of the Government, the Round Tablers and the British and the Indian public in general.

Sir John Marriott is nothing if not brilliant. His past record as an authority on the constitutional problems of the British Empire and on more academic subjects in political science is a guarantee that his present performance also would redound to his credit. In fact, running through the three hundred odd pages of the "English in India" is like skipping over the pages of a full length novel from the pen of Warwick Deeping or th late Arnold Bennet. But one thing which strikes the eye of even the most casual reader of this book is the fact that Sir John is more concerned with the portrayal of the character and mettle of the numerous Englishmen who helped in building up the colossal Indian Empire. This would be good fun for the Englishmen and Englishwomen who happen to read through the book. But to an Indian reader the necessary atmosphere, which made the Britisher an hero to be copied and obeyed during the eightees, is lacking during the present troublous times and hence it is impossible for us to react favourably to the teachings of Sir John.

The book is conveniently divided into eighteen chapters. In the opening chapter, the "Prologue" Sir John rivets the attention of the reader on the important problems faced by the Round Table Conference. The various activities of the Federal Structure Sub-Committee, the momentous problem of the Hindu-Muslim unity, the important task of carefully selecting a model or a mixture of models for the future federal constitution of India, the pitfalls which the Canadian contitution has fallen into, the vastness of the country and the heterogenus population of the country which suggests the lines of federation developed by M. Briand for pan-Europa, are all skilfully adverted to in order to impress the reader with the immense gravity of the situation facing the statesmen, British and Indian, to forge a suitable and stable polity for our country. Thus persuading us into his confidence and disarming all initial opposition, this eminent Oxonian urges us to remember that British constitutional liberty "broadens down from precedent to precedent" and that the British constitution, like Topsy, was "never born but just grew". Quoting Sir Reginald Craddock on the benefits of British rule in India, Sir John, bearing in mind the full national demand of our country, asks, "Thus does Nemesis wait on benevolence. In men, in material, in politics, in philosophy, in literature, in everything for which she herself stands, England has given to India of her best. She has done it, be it frankly said, not only for India's sake (though that consideration has been ever predominant), but for her own reputation in the world. However distasteful (if we may believe Macaulay), however 'difficult' to the average Englishman the subject of India may be, he cannot forget that discriminating foreigners have repeatedly warned him that by his government of India he shall be judged when he comes to appear before the tribunal of impartial History."

Thus skilfully assuring himself the support of his readers, Sir John Marriott next proceeds to describe the genesis of the probelm in Chapter II wherein he recounts in general outline the numerous invasions of India which have given rise to the stupendous problem of communities. The Afghan and Mughal Empires, the collapse of the latter and the revival of Hinduism claim his attention vividly, before he proceeds in the following chapter to a survey of the opening of the sea routes to India. The Anglo-French duel for supremacy in India, and the early

*By Sir John Marriott. Royal 8 vo. pp. x+322, with map. Oxford, The Clarendon Press. 1932.

fortunes of the East India Company occupy the next two chapters, which conclude with the first efforts of the British Parliament to intervene in the Indian administration of the Company which culminated in the passage of the Pitt's India Act of 1784. Chapter VI deals with the administration of Warren Hastings and nothing but eulogy of the first Governor-General of India is to be found in the twenty-two pages devoted to his career in India. Chapters VII and VIII deal with the territorial expansion of the Company's possessions in India. Cornwallis, Wellesley, Minto and Metcalfe flit across the horizons of India's fortunes during the first fifty years of the XIX century. A glowing though regretting tribute is paid to Macaulay's famous minute on Indian education (pp. 135-136). ". . . It must suffice categorically to say that but for the momentous decision announced by Lord Macaulay in his famous minute of 1835, to make English the medium of Higher Education in India, there would be no 'problem' of India to be solved by us to-day; there would be no 'India' to present a problem" (p. 18).

The Afghan Question, Dalhousie and the Mutiny are dealt with in the subsequent three chapters before Sir John diverts our attention upon the transference of India to the Queen. He opines that the early years of royal rule of India constitute a period of stabilization, when relations with the Indian princes and the Civil Service were put on a stable footing. Chapter XIII is devoted to the problem of Indian education. The establishment of the first Councils in India in 1861 and the sequal to council administration of the provinces and the centre are dealt with in the next chapter when the story of the progress of the English in India is taken up to 1909. Chapter XV is devoted to the problem of defence and closes with a summary account of the "unveiling of Lhasa". The Great War and the aftermath in India occupy our attention in the following chapter which Sir John styles as "loyalty, licence, liberty". After going through all these pages, an Indian reader wonders whether two-hundred and fifty pages are necessary for a statement of the Indian problem. But the motive of Sir John is clear when he states that over 53,000 Indians were sacrificed during the Great War, besides the colossal expenditure of Indian revenues towards the allied cause, and emphasizes that "the Bengali contribution to war-service was negligible" (p. 266). We need not have any quarrel with the author when it is clear that the book is written for British and foreign consumption.

Naturally our attention is drawn to the penultimate chapter which deals with the Second Round Table Conference, and the Epilogue. Passing in review the growth of Indian nationalism, which, Sir John claims, lacks in contructive energy, it is stated (pp. 298-299): "As an Indian of advanced views pertinently put it to Sir Harcourt Butler 'Some of your politicians say "Govern or get out". But you can't get out, and apparently you can't or you won't govern.' Dr. Stubbs taught that 'lack of governance' produced civil wars in England in the fifteenth century. Like causes are apt to produce like results. A weakening at the centre, at Delhi and Simla (I suggest, at Whitehall also) has meant nervousness at all points of the circumferences. If local administrators fail to deal promptly and boldly with local disorder, the blame should be put on the shoulders of the Central Executive. General Dyer is broken for acting; Mr. Sale is censured for inaction. The real culprits are neither at Amritsar nor at Cawnpore." Continuing (p. 300) Sir John observes that "neither Federalism nor 'Responsible' Government is an easy form of government to work. Neither can be worked with any measure of success except by men who have served a long apprenticeship in the most difficult of arts. That apprenticeship can be best served by Indians in the Provinces."

In the Epilogue Sir John rounds off with a peroration. "Proudly we may look back" and recognize generous faults. But, "it may well happen that India, abandoned once more to her own resources, would furnish a striking vindication of the truth of Malthusian doctrine; that the 'positive checks' —war, vice, misery, and disease—would again begin to operate, and that by this means the pressure of population upon subsistence would be averted. Under British rule that pressure has been averted by means less painful. The key-note of our rule has been efficiency, resting on the twin foundations of justice and power. British Government in India has been strong, because it has been just, and just because it has been strong and efficient because it has been both." Sir John concludes his peroration by warning us not to let our country being flung into the witches' cauldron and quotes Sir Syed Ahmed to the following effect: "Be not unjust to that nation which is ruling over you, and think of this—how upright is her rule. O

such benevolence as the English Government shows to the foreign nations under her rule there is no example in the history of the world."

Frankly, Sir John's volume cannot be acceptable to us in the present temper of the nation. But it will be admitted that it serves its purpose as a redable sketch intended for the benefit of the British public.

Employment Exchanges.

By P. S. Lokanathan, M.A.,

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Thrice within the last 12 years has the feasibility of establishing Public Employment Exchanges been examined in India, and on each such occasion the results of the enquiry proved unfavourable to their establishment. In 1921, following the deliberations of the International Labour Conference at Washington, the Government of India invited the opinions of Local Governments on the possibility of instituting employment exchanges and found that opinion was unanimously against any such proposal. Again in 1927 at the instance of the International Labour Office, the question was re-examined but with no different result. More recently, the Royal Commission on Labour went into the question and expressed the view that in the present depressed state of Indian industry it was not practicable to establish labour bureaus in the country. Curiously enough, the reasons urged against the proposal for their institution have been often based on facts that are opposed to one another. It has been said for instance that the dominant fact about Indian industry is the scarcity of labour for organized industries, and that so long as unemployment did not exist, it was useless and unnecessary to have employment exchanges. On the other hand, recent arguments have been based on the ground that there is such a large volume of surplus labour as cannot be absorbed by industry at the present momemt, and that therefore employment exchanges instead of mitigating unemployment will only aggravate it by arresting the usual flow of the unemployed workers to the villages. In most discussions on the subject, the objectives of an employment exchange have not been clearly defined or understood, and it is not realized that while they may not be necessary from some points of view, they may still be able to serve a useful purpose within a limited range of objectives.

Purpose of Employment Exchanges.

If the object of establishing an employment exchange is to solve the problem of the unemployed, the present moment is perhaps hardly the occasion for it. For apart from the fact that no employment exchanges can increase the available employments or create new jobs, the disappointment that is likely to be caused when large numbers of unemployed workmen register at the exchanges but do not get jobs will damage permanently the prospects of their success, and thus the exchanges will get discredited. The best time to start employment exchanges is when trade is about to take an upward direction, and industry is recovering from a state of depression. Another possible object of employment exchanges may be to gauge the extent of unemployment. In any solution of the unemployment problem the first essential task is the getting of the facts relating to unemployment, and employment exchanges even if they do nothing else would serve to measure the dimensions of the problem. The nationally organized exchanges of Great Britain which administer the unemployment insurance scheme maintain a complete record of the number of workers that are unemployed, and there is perhaps no other country in the world where there is such full and accurate information. Even in this regard, it is doubtful if labour bureaus in India would be able to provide an index to the numbers of the unemployed when the chances of employment are so few and where there is no insurance scheme granting unemployed benefit. But it may be stated that they would supply at least a partial picture of the extent of the problem with which we have to deal.

But the main purpose of a labour (employment) exchange is to provide a recoguized and known market place for labour. While for the sale of all important commodities there are organized markets or exchanges, labour is still hawked from door to door and from factory to factory in most countries. The labour market is the most unorganized market in every country, and the fact that employers find no difficulty generally in getting their needed supply of workers only means that "labour does all the waiting and bears all the

sacrifice and pain of such waiting." The *economic waste of such waiting and of the* aimless wandering *from* place *to* place *in* search of a job can only be avoided by a proper organization of the labour market. It may be said of almost every country that often while there are jobs vacant at some places, workers are looking out for jobs at other places. *The object of an exchange is to bring together employers wanting workers and workers* wanting jobs and to do this as quickly as possible. To increase the mobility of labour from place to place and if possible from job to job and to provide information about vacancies is a very important aim of every *employment exchange and in* India *too, we need some organization to take up this line* of work.

Conditions in India.

That industrial conditions in India present a difficult problem cannot be denied. Until 1920, it could not be said that industrial unem*ployment of the kind known in the* West had arisen as a problem at all. On the other hand, the efforts of the more important industrial firms were directed towards securing an adequate supply of workers for their factories, and very serious evils accompanied *the system of recruiting and employing workers in some industries.* The demand for labour was always in excess of the available supply, and when there was a tem*porary reduction in the demand for* workers owing to industrial depression, the workers who were thrown out simply went back to the *villages from which they had come. It was only when a serious famine occurred and* threw out large numbers of agricultural workers and artisans from their normal avocations that there was wide unemolpyment in the country, but it was agricultural unemployment and not industrial. The efficiency of *the organization for famine relief in the country mitigated* the distress of the unemployed workers, and with the breaking in of the monsoon, the workers gradually got absorbed in their rural occupations.

It is, however, in recent years that unemployment has emerged as a problem in India. Owing to the acuteness of industrial depression which has been accompanied by a more severe depression in agriculture since 1930 and owing to schemes of mechanization in railways embarked at the worst possible moment, a large number of workers have been thrown out of work. But *entire* lack of [illegible] from knowing the actual extent of unemployment and the number of unemployed workers. Among *dockers* and seamen, and in cotton, jute, *steel and other industries,* and is railways, *there* is a *considerable degree of* unemployment. But the fact that most of the workers return to their native villages, although they are by no means assured of any employment therein, blunts the edge of the problem and *makes for great* complacency both among *the employers and the State.* Even the Royal Commission on Labour who have so definitely exploded the myth that industrial workers are only agriculturists serving a short term in industry have failed to realize the gravity of the unemployment problem. *They simply state that* " the factory population *is to a large extent* made rather than born, *i.e.*, it is mainly drawn from the villages in response to demand and does not grow up in the cities " and therefore " the question is mainly one of preventing the number of city workers being swollen by men for *whom there is no work.*" But this view fails to have regard to the distress of people who are thrown out of work and who have to seek employments elsewhere.

It is also urged that the establishment of labour exchanges at the present moment will have a result *very different from that* expect*ed by their advocates : for by drawing* the workers from the villages it might swell the ranks of the unemployed in the city, and thus *the exchanges* would *be faced* with a tremendous crowd of people for whom no provision could be made. But this fear is not real, *and provided exchanges confine their activities to certain definite ends,* there *is* no danger of their getting discredited. Above all, we must recognize the fact that the present methods of employing workers are wasteful, and even where there is a plentiful labour supply, exchanges would save trouble to the employers by doing the preliminary task of picking out the suitable men. Further, if any system of national labour exchanges is to be established at a future date, it must be based upon some kind of experience, and therefore the institution of labour exchanges *working within a limited area* and *in* a *limited* range of trades will have a great educational value.

Foreign Experience.

Germany was the first country in Europe to establish labour exchanges successfully as early as the 80's of the last century, and *the depression of 1873—94* gave rise to an enduring movement. The establishment o

public labour exchanges in various industrial centres in that country organized directly by the municipality was the chief feature. Berlin was, however, a notable exception, where the exchange was organized on an independent basis by a voluntary association. There were in Germany the following types of exchange, the Employer's Exchange, the Trade Union Exchanges, and some special commercial exchanges. But these were not important, and in any case they lacked the neutral element so necessary for success. Only the municipal exchanges were important, and they were managed by a paid staff with a committee composed of employers, workers and municipal nominees. The accommodation consisted generally of a number of waiting rooms opening off a central corridor, and each communicating directly with the officer in charge. The remarkable success of these exchanges has been traced to three or four important factors. In the first place they had the support of the public authorities, *i.e.*, the municipalities. Secondly, they were managed by a joint committee of workers and employers. Thirdly there were excellent arrangements for telephone, telegraphic and other means of communication and lastly, the principal officers were men of status able to meet employers and employing bodies on an equal footing.

England.

Although the municipal exchanges did remarkably well in placing workers in suitable employments, there was no doubt that the usefulness of the exchanges increased with every extension of the area of their operations and hence it was realized that only exchanges having a net-work of branch organizations could attain full success. This was done in England in 1909, and the Labour Exchanges Act marked a great experiment in the evolution of employment exchanges. The earlier exchanges in England were partly municipal exchanges and partly private, and they had no knowledge of what they were expected to do. The men placed in charge were nominees of some influential municipal councillors, and the "exchanges were the shuttlecock of party politics." The new nationally organized exchanges were a great success. An exchange was defined as an office or place used for the purpose of collecting and furnishing infomration, either by the keeping of registers or otherwise, respecting employers who desire to engage workpeople and workpeople who seek engagement or employment. The principles and procedure were mostly copied from the German system. They charged no fees from the worker or the employer. While in Germany specialized exchanges were common, in England there was no differentiation other than that between skilled and unskilled workers, and occasionally there was a special section for women. It is true that there were some special exchanges for workers employed in docks and for porters in cotton warehouses, but mostly they were general, unspecialized exchanges. At most of these places, advisory committees for the placing of juvenile workers were also formed. In their earlier years the exchanges were mostly used by unskilled workpeople of the type difficult in any circumstance to place in employment. Hence employers were sceptical about their utility. But trade conditions were favourable, and criticism was silenced by the successful work of the exchanges.

Even to-day, there are not people wanting to say that exchanges are unnecessary and not very successful, and hence should be scrapped. The Geddes Committee recommended their abolition with singular narrowmindedness, but the knowledge that for the purpose of administering any kind of unemployment insurance they were absolutely essential, made their retention inevitable. Their close association with the administrtation of the insurance scheme was not however an unmixed gain. For although the exchanges gained greatly in status, and a large number of workpeople had necessarily to get themselves registered, their primary function as placing agencies was neglected. Even now it must be said that they have not succeeded to the extent of displacing other methods of finding work. They have not yet abolished the hawking of labour from door to door. It has been found that 4 out of every 5 engagements of insured workpeople are made otherwise than through the employment agencies. On the 31st May 1930 there were in the United Kingdom 417 exchanges which occupied 765 separate premises.

Procedure.

The procedure in England is as follows: The applicant is interviewed and asked to fill in a form wherein certain particulars have to be entered. These details containing the name, address, age, last occupation, nature of employment sought, etc., are then entered in a register card. The cards are scrutinized every day, some are retained in the Live list and others taken to the Dead list.

the former containing those still wanting jobs and the latter no longer in need of work. The register is classified by occupations and contains particulars of the qualifications and experience of the workers. The exchange manager makes periodical calls on employers to explain how the exchange can help in filling vacancies and generally to bring the exchange's functions to the employers' notice. Circular letters setting forth the facilities for the engagement of workpeople offered by the exchanges are issued to the firms at appropriate times especially to those whose business is of a seasonal nature, *e.g.*, Christmas trades, building trade, hotels at seaside resorts, etc. Employers' notification is entered on an 'order' card which is filled in the Live order list remaining there until the vacancy is filled up or the notification cancelled, when it is taken on to the Dead order list. When vacancies occur, the manager looks to the Live list and chooses the most suitable person or persons from the industry's point of view. Industrial suitability is the decisive factor in selection. Subject to this, impartiality is secured by giving preference to priority of applications. The English system is in contrast to the procedure in some of the countries where priority of the applicants is the chief consideration. After an interview the probables are selected and sent to the employer who has the final responsibility in the matter. An introduction card is sent which must be returned back by the employer if he engages the worker or by the workers if they are not chosen. A record is kept of such submision to vacancies, and another of the results of such submissions. The exchanges take credit only for vacancies actually filled up by the men sent by them. One principle that is generally followed in the matter of filling vacancies is that the exchange nearest to the employer must first be addressed and only when the local exchanges fail to secure the men, is information to be sent out to neighbouring exchanges and finally to a clearing house exchange.

A study of the English and other exchanges reveals the fact that success depends largely on the extent of the co-operation given by the employers. As far as possible all the jobs which are to be filled in must be notified to the exchange. Indeed in some countries this has been recognized to such an extent that compulsory notification is provided by law. A second condition of success is that the chief staff should command the respect ...

Formerly trade unions were somewhat hostile to the exchanges which, they believed, existed for the supply of 'black-legs'. Employers on the other hand thought that only inferior classes of workers availed of the exchanges and hence looked elsewhere for their supply of labour. All these have changed now. Employers are increasingly co-operating with the exchanges which are able to provide suitable labour. Nevertheless it is true that experience suggests that the exchanges are more likely to be useful to those of the unemployed who while not generally of the highest class of skilled workers are necessary to the industry of the country.

INDIA.

The methods of recruiting labour for Indian industries are very wasteful and crude. The system by which labour contractors are asked to supply workers for the mining, jute, planting and some other industries has given rise to serious abuses, and with a view to eliminating them the Royal Commission on Labour has suggested the appointment of a Labour officer in each firm to take up this task of engaging labour. But even so, something more systematic and covering a whole industry in an area needs to be done. The maintenance by employers in a single industry and centre of a joint bureau for recruitment is an important line of reform, and the practicability of such a proposal should be considered at the earliest possible moment. In the meanwhile, efforts should be made to organize labour exchanges in some of the industrial towns of the country. It is useless to wait for a perfect scheme, and indeed no great reform can be achieved unless previous experience is gained from working within a limited sphere.

It seems to me therefore that in a city like Madras an experiment should be made in the starting of public employment exchange, not directly by the municipality but at its initiative and with its support. The essential preliminary to such a scheme is a careful survey of the employments within the city, the classes of workers employed, the number of skilled and unskilled workers, names of employers and their usual methods of engagement, their willingness to utilize the exchange when it is started, etc. The results of the investigation would enable one to decide which employments may be excluded and which included within the scope of the proposed exchange's activities. It might be found necessary to exclude the bigger factory employments from the scope of the

exchange's work if there were already efficient methods of employment therein. Having surveyed the field carefully, the next most important task is to canvas the support of the employers and secure their co-operation. An executive committee with full powers of management should be constituted, to which representative employers and workers and the public including the Corporation representatives should be appointed to administer the exchange. It will be quite sufficient to open a small office in the first instance with a minimum staff of just one clerk and one peon and with a telephone connection. The officer-in-charge may be an honorary worker who had retired in good status after considerable industrial experience, although if finance would permit a full-time officer is desirable. The purpose and scope of the exchange should be widely made known to the employers by means of circular letters and to the workers by means of advertisements in the vernacular papers and in corporation buildings and journals.

From the commencement, the Municipal Corporation should definitely resolve upon taking men for its own needs only from the exchange. Such a course will confer some prestige on it, so much needed in its early career. The officer-in-charge and other members of the executive should make periodical visits to the employers to induce them to recognize the exchange and use it for purposes of engagement. It should be the endeavour of the exchange to offer special facilities for trades that have a seasonal demand for labour and in this and several other ways, the exchange must make its usefulness felt among a large class of small employers. The cost of the scheme need not be prohibitive. The employments that may be specially considered by the Exchange for the purpose of placing would perhaps include in the city of Madras, mechanics, bricklayers and masons, tannery workers, shoe makers, cabinet makers, printers and compositors and others. The industrial survey would enable the exchange to know the extent of its activities.

Conclusion.

It is not to be expected that the exchange will be an instant success. It is even possible that it may fail. But to refuse to take any action merely on the ground that there is too much unemployment at the present time seems hardly reasonable. That the methods of engaging labour in Indian industries are archaic and crude and should be replaced by a more scientific system admits of no argument. It will not be possible at any time in the future to embark upon an elaborate national system of employment agencies unless some experience is gained in a smaller area over a limited sphere of industry. The lack of experience based on previous experiments has been a severe handicap in India in many ways. The establishment of a public employment exchange in a city like Madras is desirable and nearly feasible. It can be organized on a limited financial plan. Even if it does nothing else, it may enable one to gauge the extent of the unemployment problem and pave the way for something better. It is not the large organized industries, nor the small unorganized trades carried on in the by-streets of Madras that afford scope for the working of the exchange. But there is a very large class of intermediate industries requiring a very considerable supply of labour that would offer the widest field for the work of a public employment exchange in the city.

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(2) *Unemployment : A Problem of Industry.* By Beveridge. Longmans.

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A message, dated November 12, says:—The export of gold from Bombay to foreign countries for the week ending November 12 showed an increase of Rs. 1,09,79,576 over the previous week, the total for this week being Rs. 1,92,13,076. The *California* which sailed from Bombay for Southampton on November 9 carried gold worth Rs. 13,16,653. The ss. *Tuscania* which sailed from Bombay for Liverpool on November 10 carried bar gold

Rs. 17,93,019. The ss. *Mooltan* which sailed for London to-day carried gold worth Rs. 96,88,556 for London out of which bar gold worth Rs. 14,12,577 was for Amsterdam (option London) and gold worth Rs. 1,28,809 for Amsterdam. The *Mooltan* also carried sovereigns worth Rs. 3,36,866 for London. The total value of the gold exported from Bombay since Great Britain went off the gold standard up-to-date amounts to

The Indian Soap Industry.

By R. Banaji, B.A.

The Mysore Chamber of Commerce in one of its letters to the Government of India (Commerce Department) protests against the grant of preference to British Soaps and Toilets, because, Indian manufacture in this connection, in recent years, has been such that it has displaced and is displacing large quantities of foreign products particularly of British manufacture. The manufacture is steadily increasing and within a reasonable time, the Indian manufacture will be able to meet the entire Indian demand. The statement given below will indicate that in the last two years the imports of foreign products have fallen as a result of the Indian enterprise which in the near future will very likely build up a big industry in India :—

Value of Total Import of Soaps into India

Year.		Value. Rs.
1926-27 ..	..	1,52,41,278
1927-28 ..	..	1,61,34,248
1928-29 ..	..	1,58,10,025
1929-30 ..	..	1,66,68,406
1930-31 ..	..	1,11,98,235
1931-32 ..	..	88,72,154

At present Soaps are subject to a customs duty of 15 per cent surcharge, total 25 per cent. This was acting as a partial protection for the Soap Industry in India and hence remarkable progress has been made recently, so much so that the import of soaps fell from about Rs. 1,66,00,000 in 1929-30 to about Rs. 88,00,000 in 1931-32. That India is very well situated to build up the soap industry cannot be doubted. All the raw materials, except perhaps caustic soda, are obtainable in India and there is a ready and ever growing market within the country itself. The industry which has commenced to expand can, after a temporary period of protection, be established permanently without any external aid. But it is bound to be crippled permanently if, at a time when it is trying to establish itself, it is subjected to competition from outside.

At this point, it may be of interest to note that the exports of soap from the Mysore State have shown a tendency towards a gradual increase as suggested by the statement given below, and this may be taken to be true of all the other parts in India manufacturing soaps.

Value of Total Exports from Mysore.

Year.		Value. Rs.
1926-27 ..	..	2,04,411
1927-28 ..	..	2,46,180
1928-29 ..	..	3,22,209
1929-30 ..	..	3,56,974
1930-31 ..	..	7,50,000
1931-32 ..	..	8,00,000

It is, therefore, pertinent to draw attention to the fact that England has a lion's share of the import business, more than 90 per cent of the imports coming from that particular country. The present preference of 10 per cent, accordingly, aims at particularly favouring 90 per cent of the imports and on account of their financial resources, better organization and mass production, the British soap-makers would be in a position to harm the nascent Indian industry permanently. The Mysore Chamber indeed apprehend that practically almost all soap-makers in India will be forced out of business gradually, if preference comes into force. In view of these facts, the Chamber suggests that the Government of India will see its way not to allow the proposed preference of 10 per cent to be extended to soaps imported into India.

This year's Royal Air Force Pageant at Hendon was perhaps even more interesting than usual, owing to the greatly increased speed of all types of Service aircraft, which results from Britain's successes in the last three Schneider Trophy contests. Many of the machines were specially released from the Air Ministry's secret list and were on view for the first time. The present holder of the world's speed record, for instance, Flt.-Lt. Stainforth, flew a new type of fighter machine, the "Terror," of which nothing is known beyond the fact that it is fitted with Rolls-Royce "Kestrel" engines. This is the engine fitted to the Hawker "Fury," the fastest fighter aircraft in the world. Specially designed for the defence of London, it will fly at over 200 m.p.h., and will climb 20,000 ft. in 9 mins. 44 secs.

President Hoover has set a personal example in his economy campaign by reducing his own salary from 75,000 dollars to 60,000 dollars. The salary of Members of the Cabinet has been reduced from 15,000 dollars to 12,750 dollars.

The Silver Debacle and the Way Out.

By K. S. Srikantan, M.A., F.R.Econ.S.,

Professor of Economics, Madura College.

"We have to build again and to build better and to do so while the pillars of the structure so recently restored seem all to be tumbling about our heads together" (*Recovery*, Arthur Salter.) Silver and Gold are to-day passing through very hard times, for reasons diametrically opposed to each other. While Gold, that unbridled autocrat of the currency realm, has an unparallelled appreciation in its value, its poorer companion is having a collapse unheard of before. Though the present depression is due as much to the over-valued gold as to the under-valued silver, the fortunes of the white metal have not been given due consideration. Nay—it has been callously neglected although with it hangs the fate of the silver-using countries like India and China. The aim of the article is to examine the causes and incidence of this crisis in silver and show the way out.

Thanks to the interest of America in this matter, a Sub-Committee of the House of Representatives has been appointed to go into the question of 'low silver' under the Chairmanship of the Honourable Andrew L. Somers. The letter addressed to the members of the Sub-Committee gives in brief the seriousness of the situation. "Probably one of the most important financial or economical question before the world to-day has to do with the value of silver and this metal which has been worth 65 cents an ounce for many years has depreciated in value until it sells for only 30 cents an ounce or slightly less...This metal is used as the principal monetary basis in Asia and Central and South America, wherein more than one-half of the people reside, and of course is largely used in the trades and arts throughout the rest of the world; but because of the diminished value at this time. the purchasing power for the people of China India and the Latin American Nations of the Western Hemisphere has been correspondingly reduced." The American Committee has been entrusted with the task of the rehabilitation of silver. The countries of the East, particularly India and China, are vitally interested in this problem, for between themselves they have the major portion of world's stock of silver. Silver, it is needless to point out, is the poor man's gold. The property of the middle class and the poor in India is mostly in the form of silver jewels and utensils. It has been calculated that the quantity of silver accumulated after hard labour, among the poorer classes in India, is not less than 1,000 million ounces. Mr. L. Werner Knoke of the Federal Reserve Bank, New York City. stated in his evidence before the Committee, "Over a period of 5 years, China's silver imports averaged 100 million ounces. India, too, has always been a steady buyer of silver to the extent of 35,000,000 ounces annually." The Chinese hoard is estimated to be 3,000,000,000 ounces of silver. It requires no stretch of imagination to see how seriously the present fall in the silver tells upon the wealth of those countries which hold to silver as their standard. Their purchasing power has come down, for no fault of their own. A ryot who could pledge his silver jewel and get Rs. 20 formerly, cannot get even Rs. 10 now. The poorer section of our population do regard the ornaments on their womenfolk as *a store of value*, a wealth on which they can fall upon in times of need. How depressing it would be for the poor peasant to be told one fine morning that the savings which he has put aside three or four years ago are now worth only half or even less than what it was when he saved the amount, can only be imagined. Its psychological repercussions are greater than economic. This is exactly what is happening in India now and her present crisis is to no small extent due to this.

What has been said above takes account of only one portion of the loss. The quantity of silver in the hands of the Princes, Zamindars, temples and mutts is beyond one's imagination. Putting all this together, the total stock of silver both monetary and non-monetary in India has been estimated to be 5,200 million ounces. As early as 1925 the stock was estimated by Joseph Kitchin at 4,550 million ounces. The gold value of silver at the world market to-day is 28½ cents an ounce. Expressed in terms of rupees, at the present rate, the present stock of silver may equal Rs. 400 crores. "Thus," says a writer, "the prices paid for the various quantities of silver acquired from 1893 to 1932 *plus* the actual value of the stock when India went off the silver standard in 1893 amount to 1,500 crores of rupees." One can have an idea of

the magnitude of the loss when he is told that the present realizable value for the same quantity of silver is 400 crores.

There is, as we all know, a large quantity of silver in the Government of India Reserves. They acquired silver at far higher prices than it is now. *The price when they acquired a large portion of silver for coinage purposes* between 1915 and 1920 was in the neighbourhood of 102 cents per ounce. The Reserve has *therefore come to be worth a fraction of what it was before. Thus, the crisis in India is* more a silver crisis rather than gold.

What is the way out? This requires an *enquiry into the causes for this catastrophic fall. One outstanding cause is the demonetiza*tion of silver. Most of the countries are now on a gold standard while others are aspiring *for such a standard.* This has extinguished the demand of silver for monetary purposes in those countries. This decline in the demand of silver for monetary purposes means an *increased demand for gold, resulting in a* further fall in the value of silver. This growing *cheapness of silver* has, as already pointed out, a severe psychological effect. It is no *longer taken to be a barometer of wealth and* there is a fall in the demand for silver for non-monetary purposes. There is a "decline in the demand for *silver even from* silver standard *countries.*" "The present low price of silver," says Mr. Knoke, "was at least, in part, brought about by a decline in the *demand for silver from China. China's demand* has dropped to the extent of 50,000,000 ounces."

Many European countries debased their *subsidiary coinage by reducing the silver* content therein to a considerable extent. Many countries substituted nickel and other baser metals for the old silver tokens. This *policy not* only reduced the demand for silver tokens but effectively increased the supply by the addition of their surplus silver. Great Britain alone released between the years *1920 and 1929, 95 million ounces, while before* she started on her systematic scheme of debasement, she was purchasing annually 21½ million ounces.

The Government of India itself has contributed not a little to this catastrophe. The Hilton-Young Commission recommended that "*the coinage of Silver rupees should be stopped* for a long time to come until the amount of silver rupees in circulation is reduced to the amount *required for small change.*" Mr. Kann *of Shanghai, therefore, rightly characterized* [illegible] *cloud* overhanging the silver market like the angel of death'. The Government of India dealt a tremendous blow to silver and shattered all hopes by *giving up* silver coinage after 1920, by adopting a gold standard and more than all by announcing a sale of silver in an already depressed market. The proposed gold *standard for China and the substitution* of imitation jewels are sure to render the prospects gloomier still.

The question before the currency experts now is *what should be done in the immediate* future to check this downward trend in the price of silver. On one thing all are agreed. There is no hope of restoring 'silver' unless there is a *united action.* "I fully agree," says H. Brownell, Chairman of the American Smelting and Refining Company, "with the *finding of* the committee that *one* nation can hardly act alone in restoring silver. But I think that two or three nations can. I am quite sure if the Britush Empire including *all of her colonies and* the United States agreed upon some utilization of silver, it would go a long way." Granting there is to be a united *action,* what course should they adopt? The *problem, as we have already seen, is to restore* the old value and prestige of silver. This cannot be done unless silver is given an oppor*tunity to serve as currency side by side* with *gold.* Rash students of Economics may brush this suggestion aside by saying that it is '*bimetallism*' and so has no practical value. This *is wrong.* The *whole world to-day is* in a fix regarding currency matters. The autocracy of gold is becoming intolerable. More than 50 *per cent of the world's stock of gold is in U.S.A. and France.* There remains still a huge sum that has to be paid by some of the European countries to America.

Thus, if things are allowed to *continue as* they are now, there will be no way from the present financial panic. There is a great agitation for dethroning gold from her presen *position and starting a scheme for a 'Manage* Currency'. However satisfactory the schem of a 'Managed Currency' is, to a theoretica economist, it has not received the approva *of the laymen. So the only alternative* fo the world is to throw itself helplessly to th mercy of gold or make it a constitution sovereign in the *currency realm.* I thin this can best be done by going back to a kin of *bimetallism* which if approved by all natio would work very well. Then the United Stat *of America* and *other* creditor nations will b bound to accept silver side by side wi gold in discharge of their dues. "If bringi

into line of the Silver East with the Gold Occident results in better adjustment of world affairs, we stand a better chance of collecting our debts." In the words of Mr. Warburg, President of the International Acceptance Bank, "You cannot deny that this is a form of *bimetallism*, but it is not at a fixed ratio." This plan or suggestion simply takes Silver into the Gold family and says, "When you can purchase Silver at a low price you can use it in limited amount in bullion reserve and have it there and issue currency against it just as you do with gold." If all countries were to permit 'Silver' as part of their central Reserves, this would create additional demand for silver. Another important method to restore silver to its original place is to insist that all these countries which gave up silver even for token coins should reconsider their action and take in and use silver for their subsidiary coinage. Mr. Brownell thinks that such a step would bring the price back to 1919 level, *i.e.*, in the neighbourhood of 55 cents. The annual demand for silver on account of this alone would be 40,000,000 ounces. "I feel strongly," says Mr. Knoke, "that silver's ills would be remedied almost overnight if those Governments which since 1919 have debased their subsidiary silver coinage could be prevailed upon to returns to the old conditions." If the above suggestions are carried out, India would be the first to gain. It is hoped that the coming World Economic Conference will certainly do something to help the poor man's gold.

Dynamic Indian Economics.

By Eralil A. Varghese, B.A., B.L. (Madras), M.A. (Columbia).

At a time when our economists and publicists are busy examining, analysing, criticising and splitting the hair of dozens of reports of Commissions and Committees, Major and Sub-, headed by unemployed English noblemen, allow me, Editor, the frivolity of digging into the ground.

The problem of India is the problem of production. The problem of the West is the problem of consumption and distribution. So the conditions are poles apart. The American crisis and her 11 million unemployed are generally attributed to over-production and underconsumption. Raw materials are overproduced with consequent fall in prices. Finished goods are over-produced with consequent shut-down of factories. Farmers are on strike: wheat is burned as fuel and milk is dumped into the ocean to raise prices. Socialists may trace these dire results to the breakdown of Capitalism through lack of a planned economy with its co-ordination of industries by the State, harmonizing production and consumption. This socialist criticism will apply only to an industrialized and capitalistic country but not to India which is neither industrialized nor capitalistic—in the sense that capital plays an important part in its national economy. She is now in the mediæval feudal stage, which in Europe preceeded Capitalism.

India and other tropical (Oriental ?) countries are doomed only to produce raw materials according to the generosities of *laissez faire* Adam Smith and high protection list. Woefully lagging behind in the production of finished goods, does India at least excel in her own field ? Has she reached the optimum in her production of raw materials ? The underproduction of our foodstuffs necessitates import of rice from Burma—and Burma will not be with us to-morrow. This particular problem has to be met by more intensive cultivation and through up-to-date methods. Where Varuna and the gods may betray the credulous farmer, science and the irrigation engineer may rescue the thirsty soil of the Deccan.

Unemployment in the West is only a temporary dislocation, an excrescence of the essentially sound system of capitalistic industrialism. But poverty has stayed long enough in India to be made respectable and deified into Daridranarayana! The solution for the unsatisfied hunger of the half-starved millions of India is to industrialize her agriculture as in America, by co-operative or collective farming on a large scale with chemical fertilizers and tractors instead of the palæolithic hand-plough. Our ryots are too poor and perhaps ignorant and conservative for so thorough an overhauling, though with proper direction towards better and real economy, they will follow the new system. It is here that the agricultural banker and the agronomist have their legitimate chance to do a national duty. I hope that I am not talking in the air.

India's prime need of self-sufficiency and excellence in food, clothing and shelter has

to be approached dynamically. The satisfaction of the existing wants and the creation of further wants is the problem of *Quantitative* production. Subsequent improvements and diversification of her wants and tastes is the problem of *Qualitative* production. The immediate destination of India is thus only that of quantitative production. The West has both quantity and quality in food and clothing. European hotel menus show the variety and richness of their food in vitamins and proteins contrasting significantly with the monotony of India's rice and curry. Tables and upholstered chairs, spring beds, gas and electric kitchens, radios, automobiles, labour-saving devices of all sorts, Edison lamps, General Electric refrigerators—the necessities and comforts of the average worker in America —may be suspiciously and superciliously condemned by the *spiritual* peoples of India who glory in a dubious golden age in the past, philosophy and misery in the present with her mothers, wives and daughters blowing the dying fire, struggling with asphyxiating smoke and fumes in the kitchen. How often have I seen my mother blowing the unresponsive fire to cook the morning "congi"—and this in the middle class! And those living in thatched mudhuts, roofs leaking in the merciless monsoon rains.

India has to multiply her wants and not her children—if you please. The twin problem of underproduction and overpopulation stare relentlessly. Adam Smith's Wealth of the Nations—*minus* his *l issez faire* which is unsuited to Indian conditions and Malthus' Essay on Population—*minus* its exaggerations—ought to be made compulsory studies in our Universities so that the youth of India may produce more consumable goods and less children. Economics has to be made popular as in the West. Wants come first with production responding, in static countries like India. Let the inventive genius of our Edisons respond to its patriotic duty or to the ring of the profits of patents. And of course we want protection for our production. In dynamic America production comes first and then the wants which are psychologically created through continued and "follow up" advertising.

This materialistic approach with its emphasis on this world and this life and the physical wants demands imperatively a radical and revolutionary change in our national and racial outlook. Our easy contentment with the present order of things, our Gandhian moonshine about rustic simplicity, our superior talk about high thinking and plain living, all this naive, idyllic bucolism have to go by the board. The history of nations warns us only too clearly that cultural (spiritual ?) and material wealth are Siamese twins.

The women of India have to help too. Less gold on their arms and more gold in the banks, may be their slogan in this economic campaign. The time for investing in gold ornaments and buried treasures—relic of the troublous history of our country–is over through the grace of pax Britannica; that for investing in stocks and bonds has arrived. The capital that is dead in our temples and the assets that are frozen on our women have to be put to productive purposes, in the promotion of corporations and industries sustained by golden draughts from an Indian Central Bank in the background as during the period of the industrialization of Germany. I am sure that if our company promoters and directors pay good dividends, the women of India will need no further persuasion. Perhaps this is almost arguing in a circle. Women of India, follow the women of the West—not in lipstick and rouge but by opening a savings bank account for you and your children and making life a useful and beautiful art of joy. Women of India, help a nation's business by saving and spending on Indian goods. What about a course in Home Economics, budgeting and household management in our girls' high schools ?

Western people flood us with harmless compliments about our philosophy and poetry about the spirituality of Gandhi and the mysticism of Tagore. They want to flatte us into innocuity. Philosophy and poetry Gandhis and Tagores do not disturb thei markets. There was a time when the Wes ecstasied over Japanese art and paintin But once Japan became materialistic an industrialized overnight and began to loc forward for her markets, she became tl Yellow peril—and her art and painting, we were just interesting in a curious way.

The materialistic emphasis in our nation and racial life will discard obsolete *tantrur* like music before mosques and the sacred co castes and religions which make India t lunatic asylum of the world. Pundits a Moulanas, Reverends and Rabbis cannot sa Economists, Engineers and Doctors can. T question is not of the Vedas or the Quor the Bible or the Talmud. It is wheth Daridranarayana can be made respectable a tuxedo.

In the name of the generations to come, let us eat better, dress better and live in better homes. The vision of India—busy beehive of an industrial nation, exporting the surplus of her raw and finished goods in her own merchant vessels from her sunlit ports, her infant industries protected by elastic tariff walls and her exports encouraged by reciprocity treaties—gains inside and outside; her workers earning Rs. 10 a day instead of its present 4 or 10 annas a day. Her giant resources in men and materials harnessed into gas and electric plants and factories. And our every-day life standardized and mechanized though these may not be attractive to globe-trotters of the cold weather in search of the picturesque,—elephants, turbans and Taj Mahals in India's human zoo.

The vicious socio-religio-economic concatenation has to be dissolved in a materialistic age, a mechanized era, a motorized India.

Indigenous Banking in India.

By Krishna Kumar Mitra, M.A., B.Com.,

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It is not easy to define the term 'Indigenous Banker'. "Whoever coined the words 'Indigenous Banker' has not done service to India. The word 'indigenous' is a direct contrast of 'foreign'. There have been foreign banks in India, but Providence has been kind that there have not been foreign bankers doing work, which the indigenous bankers are doing. The designation is not a happy one. Nor is it a correct description. Nor does it help in the classification."* The Provincial Banking Committee Reports have fully described the various types of bankers and money-lenders engaged in a large variety of functions relating to agriculture, trade and general banking. Dr. Jain defines indigenous banker as 'any individual or private firm which in addition to making loans, either receives deposits, or deals in Hundis, or both each of which functions clearly belongs to banking.'† It is difficult to assign any special functions performed by this great heterogenous class. They perform different functions in different provinces according to the financial and economic needs.‡ The indigenous banker is known by various names—the Bania, the Sowkar, the Mahajan, the Shroff and the like and different castes carry on the business in different provinces—the Marwaris and the Multanis of Bombay, the Chetties and Nattukottai Chetties of South India, the Khatris and Aroras of the Punjab and the Multanis and Rehtis of Sind and Gujrat, etc.

Historical Retrospect.

Indigenous banking existed in India even in Vedic times when rates of interest were regulated, but loans were made generally to the poor and the needy. In the third, fourth and fifth centuries A.D. deposit banking in India was developed and bankers then understood and followed the fluctuations of money value, charged interest, made insurances by land and sea, granted Bs/E and followed most of the practices of modern banks.‖ No accurate account is available of their functions and existence in the Middle Ages, but still it can be shown that indigenous banking flourished in those times. In the reign of Feroz Shah (1351–88) the bankers of Sarsuti lent large sums of money to the king which were used for making payments to the army. Indigenous banking was highly developed in Moghul times for we know that an orthodox Muslim Emperor like Aurangzeb honoured Manik Chand, the eminent banker of that time with the title of Jagat Seth or world banker by Emperor Farrukhshiyar in recognition of the monetary help given to the Emperor in his campaign against Emperor Manzoo Deen. These bankers occupied an important place in the banking system of India even in the days of the English East India Company and this is evidenced by the fact that Lord Clive entertained Jagat Seth for 4 days at a cost of Rs. 17,373.

In those days their functions were very important. They financed the foreign and the internal trade of India and derived a lot of profit from this source. They lent

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* Page 100, "Minority Report of the Central Banking Enquiry Committee."

† Page 3, "Indigenous Banking in India," by Dr. L. C. Jain.

‡ Pages 95-98. "Majority Report of the Central

‖ Page 8. "Indigenous Banking in India" by Dr.

money to the Emperors and the Nawabs generally and specially during the wars on personal security at fairly high rates of interest. Revenue collection was done through the indigenous bankers. They made themselves responsible for paying land revenue on behalf of the cultivators and received grain from cultivators in lieu of their paying revenue on behalf of cultivators. Money changing business was another important function which they performed. During the period beginning with the reign of Akbar up to the time of Bahadur II, the number of mints was about 200 and in Aurangzeb's reign alone there were no less than 70 mints manufacturing coins. Towards the end of the Moghul period there was a bewildering collection of coins, some of them of the same denomination bearing different dates and circulating at varying values in different portions of the country. To change one kind of coin for another was an important service performed by these bankers. An average man knew very little about the fluctuations in the rate of exchange in which function, the bankers specialized themselves.

The fall of the Moghul Empire was followed by a period of internecine wars and political disruption in India. At such a time trade and industry could not have flourished and so was the case with banking. But to carry on these wars money must have been required and the services of the money changers and bankers must have been necessary. At the same time with decline in trade, the indigenous banking system must have received a setback.

With the establishment of the rule of the East India Company, the European merchants and the English agency houses in India began to finance foreign trade, for it was mainly in their hands and the currency reform of 1835 introduced by the British Administration which adopted the present rupee for the whole of India caused a curtailment of the functions of indigenous bankers.

The effect of early European banking institutions in India upon the indigenous bankers was thus unfavourable to the latter which maintained a separate existence from the former. The European Houses began to finance foreign trade and the indigenous banker financed the agriculture industry, the cottage industries and the internal trade. The two kept apart and no effort was made to co-ordinate them although later on, the ing occasionally from the Presidency Banks and the Joint Stock Banks.

PRESENT FUNCTIONS.

The functions of an indigenous money-lender consist in making advances in the form of money, corn, seeds, or cattle to agriculturists on the security of the produce or movable or immovable property or on personal security also. The indigenous banker on the other hand, carries on the functiont of money-lending, deposit receiving on current or fixed deposit accounts, allowing cash credit and dealing in Bills of Exchange or Hundi of both kinds—demand and usance. Bu these functions are performed by a moder bank also running on the Western lines. Ther is a lot of difference nonetheless betwee the functions of indigenous bankers an those of a modern bank. All indigenou bankers do not receive deposits and eve if they receive them, such deposits form very small portion of their total resource But a modern bank, on the other hand, rais its working capital mostly through deposi The withdrawals allowed by the indigeno bankers against deposists are mostly in t form of cash and not by cheque which is t case with modern banks. Some indigen bankers, however, do issue cheque books vernaculars which have a very narrow circu tion. A modern bank provides a cheap c rency in the form of deposits subject to cheq and thus helps to bring about elasticity the currency system and helps in stabiliz the price level. The indigenous bankers ra resort to issuing cheques and do not, theref give the benefit of providing a cheap circu ing medium. The indigenous banker d not confine himself exclusively to ban business proper as a modern bank does, carries on certain other business also which not properly speaking fall under the provin modern banks. The other business w indigenous bankers carry on is industry, t and commerce. They act as grain dea general merchants, commission agents, bro traders, industrialists, jewellers, etc. business of money-lending and deposit re ing occupies a secondary place with th digenous bankers. This tendency is pronounced in recent years owing to the that they have been losing ground in ba business because of their antiquated met unification of the modern currency sy provision of cheap and safe remittance fac and the rise of co-operative societies.

and shares in Bombay Stock and Share Market. This is not the business of a scientific banker who should avoid speculation under all cases. The indigenous bankers do not fear a run from their customers because they do not raise deposits to a great extent. They allow loans on the security of land, buildings, ornaments and the like and do not 'realize the enormous difference between a B/E and a mortgage'. They do not keep their assets in a liquid form and do not suffer thereby because they deal with their own money. They do very little to promote banking habit which is done by modern banks. The creation of banking habit is very necessary for the economic development of a country. Promotion of thrift can be inculcated by receiving deposits on interest and as indigenous bankers do not do so, they fail in achieving this object.

The importance of these differences should not be exaggerated and the services rendered by indigenous bankers should not be minimized. Their services in financing agriculture, cottage industries and internal trade are of immense importance to India.

Nature, Extent and Methods of Business.

The operations of the indigenous bankers are not attended with formalities and delays. Their accounts are kept in a simple and economical way, though they are accurate and efficient. Their establishment is not costly and they are easily accessible. They receive no regular banking education except that which is picked up in the regular course of business, and from past experience of their firms.

The indigenous bankers cannot establish direct relations with cultivators and they finance agriculture through local Sahukars and money-lenders. In Burma the Chettiyar sends out his clerks to the villages to deal with local borrowers and in Bihar the indigenous banker lends to grain merchants and advances directly to zamindars who have an easy access to towns. He also indirectly finances agriculture by financing internal trade. He has ceased to advance money against land in provinces where Land Alienation Acts are in force.

The indigenous banker maintains a close personal touch with the trader and the small industrialist. He does a lot of general banking business in this connection, such as buying and selling remittance, discounting hundis, receiving deposits and granting loans against stock-in-trade. The majority of the indigenous bankers combine banking with trade and banks, their banking business has declined and they have tried to make up this lost ground by developing trading activities. Their banking business has also declined for the following reasons:

(a) Loss of agency business in Hundis because the exporting firms have established their own branches.

(b) Heavy stamp duties on Bills which have restricted their Bill business.

(c) Temptation for speculation which they can fulfil in trade and not in banking.

There are three kinds of indigenous bankers at present. (1) Those whose principal business is banking, (2) those whose principal business is trading, but who employ surplus funds in banking business also, and (3) those who are both traders and bankers.*

Relations with Organized Banking Institutions.

No authoritative statistics are available with regard to the business done by the indigenous bankers. We have seen that the financing of agricultural industry, the cottage industries and the financing of internal trade largely falls to the share of indigenous bankers. The total agricultural indebtedness in India is about Rs. 900 crores and the Hundis discounted or rediscounted by the Imperial Bank even in the busiest season never exceed Rs. 12 crores. Thus the part played by the indigenous bankers in financing trade and industry is very considerable.

Internal trade is also financed by the joint stock banks and indigenous bankers are to a certain extent dependent upon them. The joint stock banks keep an approved list of the indigenous bankers with whom they carry on business. Every banker on the list is assigned a certain amount of credit determined by his financial position and he will not be allowed credit more than this amount. The joint stock banks will refuse to discount the Hundis endorsed by the indigenous banker if they exceed this limit though, as a rule, this limit is seldom exceeded as the indigenous bankers prefer to invest their own funds rather than endorsing the Hundis and rediscounting them with joint stock banks. It is only in the busy season that they borrow funds from the joint stock banks for at that time their own funds are less than the accommodation required by the traders. At such a time the customers'

*Page 99 "Central Banking Enquiry Committee

Hundis are endorsed and taken to the joint stock banks which readily discount them according to the standing of the banker concerned. The banker refuses to accept too many Hundis of the same customer in order to be on *the safe side. The* joint stock banks *do not take the Hundis directly from* the traders without the indigenous bankers' endorsement for in that case the Hundis would have behind them only the personal security of the traders, but with the Shroff's endorsement, *the security is enhanced.*

Relations of Indigenous Bankers to the Imperial Bank.

The Imperial Bank of India provides the following facilities for the Indigenous Bankers: (1) *It provides remittance facilities for transfer of funds from one branch to another.* The branches to which funds are transferred are enabled to purchase the Hundis endorsed by the indigenous bankers or one branch is in a position to issue demand drafts and telegraphic *transfers upon another to which money is* transferred. (2) *Another facility is that* the Imperial Bank in the busy season grants accommodation to the indigenous bankers by rediscounting the Hundis endorsed by them. Such endorsement is essential to satisfy the provision of the Imperial Bank Act according *to which the Imperial Bank cannot rediscount* a Hundi unless it bears two independent names. Section 20 of Act X of 1923 as amended in 1924 authorizes the Imperial Bank to borrow emergency currency from the Paper Currency Reserve in busy season to the extent of Rs. 12 crores and to advance it *on the security of self-liquidating Hundis.* The Bank has, however, found it difficult to get Hundis, for the indigenous bankers want cash credits. Formerly these facilities were not taken advantage of because of the high rate at which emergency currency was *issued by the Government to the Imperial* Bank. In 1924 the minimum rate was reduced to 6 per cent for the first 4 crores, 7 per cent for the second and 8 per cent for the next four crores. This was the minimum but the loans were to be at the current bank rate. *Later on, the scale was reduced further,* but *still the amount of genuine Hundis coming to* the Imperial Bank does not usually exceed 5 or 6 crores.

Trade Bills are not available in large numbers mainly for two reasons. Firstly, the current methods of internal trade do not provide *scope for trade bills to be drawn and sold* to the villages. Secondly people who can draw them have no training in their creation and discounting.

The connection of indigenous banks with the clearing house system is practically nil and they are not members of the clearing house *system mainly because the cheques passing* through them are not of sufficient amount to justify their becoming members of the system. The number of cheques drawn on them is small and such cheques are collected by a branch of the Imperial Bank or a joint stock bank. *But if no branch of the Imperial Bank* or of a joint stock bank is there at such a place where the drawee indigenous banker resides, the latter makes payment either by cheques on a clearing banker or in cash.

Defects of Indigenous Banking.

The chief defect of indigenous banking is that it hardly constitutes banking in the proper sense of the word. It has comparatively little of deposit and discount business and is confined mostly to money-lending business. This money-lending business has *in itself several unfortunate concomitants* such as extortionately high rates of interest, usurious compound interest rates and dishonest dealings on the part of money-lenders. All these evils have very unfortunate economic consequences to the borrowers and to the *country as a whole. Lack of deposit banking* is also responsible for the prevalence of hoarding habit. People may disagree on the amount of hoards, but the fact that they do exist is an established one and this is responsible for a lot of economic waste. So much capital productively employed must go a long way *to improve the economic condition of the* people of our country. Most of the people of India being illiterate cannot understand the methods of modern banks on European lines having their accounts in a foreign language. Indigenous bankers know very well their *customers and can inspire confidence into* them and are also easily accessible to them. It is only these bankers who can do much in creating banking habit among the people of this country.

Absence of a native discount market is another defect of indigenous banking. *The discounting of Hundis plays a very small* part in the financing of trade and industry as compared with the use of cash employed for the purpose. This involves transfer and retransfer of funds from one place to another which is wasteful and uneconomical. More-*over, this fact is responsible for lack of any* effective and important connection between

the indigenous banks and the joint stock banks. Another defect is that the indigenous banking system neither controls nor is controlled by joint stock banks. There is no effective leadership in the Indian money market. The indigenous bankers work more or less as independent units. In busy times, the indigenous bankers do approach the joint stock banks for accommodation but for the most part of the year the bazaar rates are not determined by the Bank Hundi rate. In the slack season the bazaar rate may be lower than the Hundi rate as the indigenous bankers have surplus funds and can underquote the joint stock banks. Further, the indigenous bankers in the slack season have high reserves with them because they do not deposit them with the joint stock banks and in busy season, they have to seek the help of the joint stock banks and the result is that they have to keep unduly high reserves with them at one time and very little at another time. The joint stock banks also have to maintain high reserves owing to the lack of a central banking institution.

Linking the Indigenous Banker with the General Banking System.

The next question naturally arises as to how these defects are to be removed. It is clear that unless some connection and close relation is established between the indigenous banks and other banks, situation cannot improve. The Bazaar and the bank operations must be correlated in some systematic way. Another line along which reform should go is that the method of cash credits should be replaced by trade bills, but in any case the change will be very slow and the illiteracy of the population will stand in the way to a very great extent. The question is, "how should the indigenous bankers and the money-lenders be linked to the Indian Joint Stock Banks through the development of an indigenous bill market that both may respond to the policy of a Central Bank?" Dr. Jain suggests that there should be a closer contact between the joint stock banks and the indigenous banks by developing the functions of the endorsing shroff. This can be done if the joint stock banks increase their branches which is not in their interests very soon because they must co-ordinate their position first. The indigenous banks must change their existing methods and take up those functions which the discounting houses perform in England. New indigenous banks on joint stock lines must be formed to receive deposits, discount bills and issue cheques. People will be able to entrust their savings to them because they will inspire confidence into them. The advantages of this reform will be that loans will be made at lower rates, for more capital will be available. Of course, they will have to discriminate between productive and unproductive debts and between spendthrifts and the thrifty. Thus, they will be able to grant loans for productive purposes and will discourage borrowing for unproductive purposes. They will also encourage the creation of commercial paper which they will readily discount.

This new system will be helpful to the co-operative societies as well. These amalgamations will be of those houses which now compete with co-operative societies and they will rediscount commercial paper endorsed by the co-operative societies. The latter will thus be able to finance their honest customers by endorsing the latter's Bs/E. Joint stock banks also will gain, for commercial paper will be created for being rediscounted with them. Indigenous bankers will always be able to meet any demands of their customers and joint stock banks will get good paper to invest their money in. The new indigenous banks will supply the missing link between the modern money market and the indigenous money market by providing an open market in indigenous bills for the Central Bank which will be able to function as a bankers' bank.

Proposals of Provincial Banking Committees.

The Provincial Banking Committees suggested the following ways to link the indigenous banking system with other banks:—(1) The indigenous banker should be linked with the central banking institution of the country as its agents in those places where no other banking organization exists. Certain restrictions should be imposed upon such indigenous banks in order to avoid risks of speculation. (2) Indigenous bankers who satisfy certain conditions should be treated as member banks on the approved list of the Reserve Bank when created and they should be required to keep a certain amount of their deposits with the Reserve Bank and should get the same facilities for rediscounting commercial paper as other member banks, subject to certain restrictions. (3) Commercial banks including the Imperial Bank should discount the bills of indigenous banks more freely. At present there is a complaint against the Imperial Bank that its local branches in some

laces refuse to rediscount Hundis bearing he endorsement of even the firms of highest epute.* (4) Indigenous bankers should reorganize themselves on modern lines to inspire public confidence and the Government should ncourage reorganization by appointing such nstitutions when formed, to the government bankers. (5) A class of lincened bankers hould be created which should get certain privileges in return for certain obligations. The privileges should be special facilities or recovering their money from their debtors, heir rates of interest should not be changed under certain conditions, the Imperial Bank should not open a branch where the licensed ndigenous banker is working, facilities for remitting funds through the Imperial Bank, and grant of rediscounting facilities by the Reserve Bank on the same terms as those enjoyed by the joint stock banks.¶

PROPOSALS OF THE CENTRAL BANKING ENQUIRY COMMITTEE.

The Central Banking Enquiry Committee after careful consideration of the various proposals have come to the conclusion that some action should be taken to improve the position of indigenous banking in India and that the indigenous banker should be made a useful member of the Indian Banking System. The indigenous bankers' rates of interest do not compare unfavourably with those of ordinary joint stock banks and their advantages to Indian commercial community are greater than those of joint stock banks, but the indigenous bankers have fallen on evil days. In the interests of agriculture, finance and trade of the country, some action is necessary. Agriculturists, merchants, traders and small industrialists mostly depend for financial help upon the indigenous banker even in places where other types of banks exist. Joint stock banks will take a fairly long time before they can do enough work for Indian economic development. The extension of the co-operative movement on such a scale as to replace the indigenous bankers is not possible in the visible future. The Imperial Bank of India is not likely to spread its network of branches to a greater extent because many of its existing branches have not yet reached a profit-making stage. In view of the above reasons, the committee make the following proposals without involving any compulsory measures:—(1) The indigenous banker should be brought into direct relations with the Reserve Bank as soon as it is established and rediscounting facilities should be provided for such indigenous bankers as come into direct relationship with the Reserve Bank. Indigenous bankers who do only proper banking business and are prepared to shed their other business should be put on the approved list of the Reserve Bank and some standard of capital should be fixed which an indigenous banker must satisfy before he can be given the required concession. (2) Such of the indigenous bankers whose deposits do not exist five times their capital, should, during the first five years of the working of the Reserve Bank, be exempt from the rule relating to compulsory deposits and at the end of the period the Reserve Bank may take such action as it deems proper to make its credit policy effective.† (3) No condition should be imposed as to the maximum rate of interest to be charged by these banks in return for the facilities offered, but the Reserve Bank should be given the power to see that institutions receiving rediscount facilities from it do not charge unduly high rates of interest from the public. (4) The same remittance facilities should be given to these banks as are given to all joint stock banks by the Imperial Bank of India or the Reserve Bank when the latter is established. (5) The Imperial Bank should adopt a more liberal policy for providing banking facilities to indigenous bankers. (6) An Association of All-India Banks and Bankers should be formed as early as possible and such indigenous bankers whose bill the Reserve Bank decides to accept should become full members of the All-India Bankers' Association. This will

* Bengal Committee Report quoted on page 105, "Central Banking Enquiry Committee Report."

¶ Pages 106, 107, "Central Banking Enquiry Committee Report."

† Ordinary member banks should maintain a certain percentage of their time and demand liabilities as interest-free balances with the Reserve Bank, but the Committee have not insisted on such a rule being imposed in connection with indigenous bankers for the following reasons: (1) The object of such compulsory deposits is to enable the Reserve Bank to control the credit policy of the member banks, but so far as indigenous bankers in general are concerned, their deposits and operations though large in the aggregate are individually small and, therefore, the principle of compulsory deposits cannot apply to them with as much force as it can in case of other banks. (2) Small indigenous bankers cannot furnish the necessary returns for the observance of this rule. (3) The principle of compulsory deposits will not attract the indigenous bankers to come into the sphere of the Reserve Bank System. (Page 108, "Central Banking Enquiry Committee Report.")

raise their status and improve their banking methods. (7) Local indigenous bankers should form themselves into joint stock banks. (8) 'Kommandit' principle banks of the German type should be established in India. (9) A co-operative bank of indigenous bankers should be formed to discount the Hundis of member banks and it can rediscount the same with the Reserve Bank and (10) Bill broking should be adopted as an integral part of the indigenous banker's business.

The indigenous bankers should themselves carry out these reforms and the committee "are of the opinion that if they bring their system of operations more into line with the custom and practices of commercial banks in the matter of audit and accounts, use of bills and cheques, prompt payment and receipt of moneys and conduct of business strictly in accordance with legal requirements, they will take their proper place in the banking system of the country."

Mr. Ramdas Pantulu in his minute of dissent wants action to be taken beyond the recommendations of the majority report. He says "that the question of placing the indigenous banking system as a whole on sound, stable and solid modern foundations cannot be satisfactorily solved by the mere provision of facilities, however valuable they may be to individual private bankers, selected for special treatment by the Reserve Bank or the Imperial Bank. There is too much of personal element in it and too little of the system. The success of the scheme must in the long run depend not upon the survival of a few individual bankers to take advantage of it but upon the reorganization of the indigenous banking classes so as to bring them into the banking system of India." (Page 523, *Central Banking Committee Report.*) The establishment of the Reserve Bank and the creation of a privileged class of indigenous bankers getting certain facilities from that bank and being used as agents for collection of its cheques and bills will no doubt bring them more into contact with other banks but merely this will not develop indigenous banking system as a whole. These bankers have great resources which are available for the economic development of the country and they still provide the bulk of the capital of all the credit agencies put together. They should, therefore, be fully utilized to fit into the modern banking system which is being developed in the rural areas. If the government changes its short-term borrowing policy, their dwindling resources will be repleted. The indigenous bankers have plenty of traditional knowledge and skill and are known for their honesty, business dealings, resourcefulness and aptitude for saving money. Some of them work largely on modern lines and do all kinds of business which the commercial banks do, as issuing pass books and cheque books and they meet the requirements of the commercial classes.*

Mr. Pantulu recommends that those indigenous bankers who carry on pure banking business should be conferred the legal status of a banker and should be brought within the scope of the Bank Act recommended by the Banking Committee. 'It should not surely be difficult to fix standards of eligibility for registration as bankers and to frame a set of banking regulations which are suitable to the peculiar conditions of such partnerships and bankers.' In order to impart vigour and tone to the indigenous banking system the indigenous bankers should be put on a statutory footing by registering all those who wish to avail themselves of the provision of the Bank Act. The Act of registration will confer a status and dignity upon them and there is no reason therefore, for their disliking the idea of registration. Lawyers, doctors, engineers and other professional men get themselves registered and registration in the case of indigenous bankers also should not be a 'writ of restraints, but a charter of rights'. The leaders of the indigenous bankers can popularise this idea and they should be impressed that if they refuse to become serviceable in establishing a money market in the country, they will be excluded from the national economy of the country.

With regard to what they will get in return for registration, it may be said that 'the very fact that they carry out banking as recognized bankers and submit themselves to regulations which are framed to protect the interests of depositors and to ensure the adoption of efficient business methods will inspire confidence in the public and will enlarge their resources and expand their business.' Their position as bankers under the law will entitle them to get the same privileges as will be conferred upon joint stock banks. They will be able to receive money into their counters without stamping receipts, will have remittance and collection facilities open to other

*Page 525, "Central Banking Enquiry Committee Report, Minute of Dissent," by Ram Das Pantulu.

Despite the adverse tendencies of trade, Sweden has set an outstanding example of restraint with regard to the import trade and transactions in exchange. So far as the tariff is concerned, her range of duties is comparatively low, and was raised in January this *year only in respect of a relatively small* number of luxury commodities, mainly with the object of augmenting revenue. A thoroughgoing revision of the tariff was put in hand four years ago to accord with the altered com*modity value of the krona, but the pronounc*ed further alteration since that time has more or less suspended activity in the matter. The import quota system has throughout been sedulously avoided. With regard to the *exchange, the Riksbank normally undertakes* large *transactions, chiefly with the other* banks. There has never been, however, in the past year any active control of exchange dealings, the banks having been free to sell *sterling or other currencies at whatever rates* the circumstances of the market might determine. At an early stage the commercial banks were requested to limit credits for imports as far as possible to the more necessary *items, but this arrangement is now more or less dormant and probably never exercised* any strong practical effect. *Finally*, there has, since December 1931, been a restriction on the export of Swedish bonds payable alternatively in *kronor or units still on a gold basis. The object* of this measure was to guard against Swedish exports of such securities with a view to securing a fortuitous exchange profit on interest receipts, and in fact it applies to only *a relatively small quantity of bonds. It may be said, therefore*, that few countries have preserved freedom of movement for goods and capital in so high a degree as Sweden.

EARLY STAGES OF MONETARY POLICY.

Upon this general, though very incomplete, background of economic life we can proceed to examine the course of monetary events in Sweden over the past year. *It must be borne in mind that* Sweden's central bank, the Sveriges Riksbank, is responsible to the banking committee of the Riksdag, the Swedish Parliament. The Riksdag itself *determines, with the advice of the committee, the main lines* of monetary policy. Naturally, the relative influences of the Riksbank and the banking committee of the Riksdag in the determination of policy vary from time *to time, and it is correspondingly difficult* to disentangle and allocate responsibility and [illegible] that contact between the two is very close, and that *this arrangement* leads to far more explicit *announcements* of *policy than inmost countries* where the central bank's duty of maintaining gold parity is in suspense.

When Sweden left the gold standard on September 28, 1931, the world had by no means *recovered from the initial shock of Great* Britain's suspension of gold payments. So uncertain was the whole position and outlook that it was felt impossible for Sweden to *pursue any definite policy* in relation to sterling, notwithstanding the close and long-standing connection between the two currencies. This alternative being set aside, it was at once decided to attempt stabiliza*tion of the internal purchasing power of the* krona. *On the one hand, it was desired in* the interests of public confidence to avoid any marked rise in prices: on the other, it was desired in the interests of industry, already *struggling against the impediment of inelastic* costs, to arrest the long-standing downward trend.

In order to judge the home purchasing power of the krona it was considered neces*sary to collect extensive statistical material showing the* production and turnover as well as the movement of prices of different goods and services. The focus of the price statistics thus consists of a weekly tabulated state*ment over the entire price system, in which* are placed together for various items the foreign quotations, Swedish wholesale prices at different stages, and Swedish retail prices. The association of these figures indicates the *causes of movements in individual prices*, whether they lie in variations in dollar or sterling prices, fluctuations in exchange rates, or changes in home demand or supplies. In order to obtain a summarized expression of the whole movement it was thought necessary to construct a weekly index based on the level of retail prices, which was considered to have more general relevance than the level of wholesale values. The weaknesses *of the then existing index number of the cost* of living were fully recognized, notwithstanding that it has a much more modern basis than our own. Like most such indices, it *was and is explicitly a measure of changes in* the cost of maintaining a "working-class" family. The weighting of the new index, by contrast, is based upon estimates of the total expenditure of the population on the various *items included, and is varied from time to* time to accord with changes in expenditure arising from seasonal or other causes.

It covers an extremely comprehensive list of commodities and services, including a wide variety of food, clothing, entertainments, education, taxes and at intervals rent. Data are collected from a number of representative towns besides Stockholm. An index number is published for each week on the basis of the previous week's quotations as well as on those at the time of the departure from gold. The index numbers for approximately the middle week of each month from October 1931, using September 1931 as the base, are set out in the following table :—

1931 :		1932 :	
October	99.4	April	101.1
November	99.6	May	101.1
December	100.0	June	101.5
1932 :		July	101.4
January	100.2	August	100.8
February	100.9	September	100.6
March	101.1	October	100.6

It will be observed that a high degree of stability has been recorded, both from month to month and on balance over the period. Underlying this stability of the general index are considerable fluctuations in individual quotations. The majority of the movements have been slightly downward on balance, but they have been counterbalanced by subtantial increases in the minority, more especially imported commodities. This general disparity is reflected also in wholesale prices, though the official index, which naturally is strongly under the influence of international quotations, is on balance practically unchanged, the index for September last being 110, with 1913 as the base. The margin between this index and the old cost of living index number has narrowed very slightly, the figure for October, with July 1914 as the base, being 156. Examining wholesale prices in greater detail, the Svenska Handelsbanken's index of prices of imported goods has risen from 80 in September 1931 to 99 in September 1932 (1913=100), that of domestic goods has declined from 113 to 111, and of exported goods from 111 to 108.

From these details it might perhaps be inferred, on first observation, that the stability of the retail purchasing power of the krona has been a matter largely of accident, the happy outcome of a conjuncture of events, the decline of gold prices and the depreciation of the krona in terms of gold currencies. It must be remembered, however, that these two movements have been by no means regular, and that in the interval of a year considerable variations have occurred while the cost of living has shown only very slight intervening fluctuations. Further, had the Riksbank chosen to pursue a policy governed by exchange rather than price level considerations, the internal purchasing power of the krona would almost certainly have increased. The steadiness of the command of the krona over retail goods and services must therefore be regarded as mainly the outcome of deliberate policy.

Later Development of Policy.

For the moment, however, it is necessary to return to the historical side of the subject. The Riksbank having set out on a definite course, the then Minister of Finance gave immediate approval to the policy of "preserving the internal purchasing power of the krona". In January the Minister elaborated his views, adding that the policy did "not preclude certain modifications of prices, especially wholesale prices". About a month later the banking committee of the Riksdag upheld a more detailed statement by the Riksbank of the policy it was attempting to pursue. The following quotation is well worth presenting at length because of the evidence it supplies of thorough and judicial consideration of the various elements in the problem :—

> The Riksbank's intention is to endeavour to maintain more or less unaltered the average level of prices of home-market goods and of the most important services that form an integral part of consumption. A monetary policy along these lines is compatible with a certain rise in the Riksbank index, namely, in so far as it might be caused by a rise in import and export prices (and prices directly dependent thereon) brought about by a rise in exchange rates and in commodity prices abroad......It follows that when forming its policy in view of fluctuations in the price level the Riksbank cannot but take into account the causes of such changes in prices. For it is essential to determine whether price movements are caused, for example, by increased tariffs, altered exchange rates or a tendency to inflation on the domestic market which may be looked upon as primary in relation to exchange rates. In any such analysis of price conditions, naturally other price indices besides the Riksbank's own index of consumers' prices will also be taken into consideration. Obviously, in their endeavour to create as stable economic conditions as possible, the Governors are also taking into account other factors than mere changes in the price level, particularly conditions affecting productivity and stocks in various industries.

The policy of price level stabilization thus became perfectly explicit, not only in general but in detail as well. Yet considerations of exchange were not over-looked, for the Finance Minister, in his January statement, expressed the somewhat cryptic view that "stabilization of the international value of the

krona ought to be attempted as soon as conditions permit." In the light of subsequent events it would seem little more was intended than that the Riksbank should endeavour as far as possible to smooth out the more violent fluctuations, particularly in the sterling rate, on much the same lines as the directions given several months later in respect of our own Exchange Equalisation Account. That this was, however, a subsidiary consideration was demonstrated when the Riksdag Committee in May expressed the view that for the time being there should be no question of pegging the external value of the krona either to gold or to sterling. At a later stage it was found possible to achieve approximate stability of the sterling exchange in conjunction with stability of the price level, and for the past four months or so conditions have worked favourably to the maintenance of the krona at a fairly steady discount of about seven per cent in relation to sterling. Prior to that time, however, wide fluctuations took place, largely owing to financial uncertainties arising both within Sweden and outside.

Events and policy in respect of the exchanges are obviously of great importance for a country whose relatively large foreign trade is transacted mainly in terms of foreign currencies. And sterling must necesarily be the standard as long as sterling itself is moderately steady in terms of goods, since it is far the most important single unit in use in Swedish foreign trade, particularly on the export side. If sterling were to appreciate or depreciate strongly in terms of goods the choice would have to be made between working for maintenance of approximate parity of the krona with sterling or of approximate parity with goods offered at retail. The practical advantages and disadvantages of departure from sterling parity would have to be weighed in the balance against the advantages of stabilizing the internal purchasing power of the krona. It is impossible in present conditions to make any confident predictions, but this at least may be inferred from published statements of policy: that if sterling were to appreciate strongly in terms of commodities the weight of the Riksdag Committee and the Riksdag itself would more probably fall on the side of price level stabilization, and consequent depreciation of the krona in terms of sterling. Doubtless the happiest outcome of present conditions for Sweden, as for ourselves, would be a rise ... which could be transmitted to Sweden through the exchange without seriously affecting the level of retail prices. The uncertainties of the future, however, are so many and important that prophecy regarding hypothetical cases is unprofitable, particularly when so much is to be learned from the past.

THE POWERS OF THE RIKSBANK.

We now have to address ourselves to two questions: first, how has the Riksbank contributed, through its monetary policy, to the stabilization of the retail price level; and secondly, what are the special limitations on the Riksbank's powers in this direction? The Swedish banking system is highly cohesive, but in some ways by no means so highly elastic. There are none of the complications of a large short-term money market, nor of a large floating mass of internationally liquid funds. Almost wholly the banking system is concerned with the financing of Sweden's own internal economy, including the preparation of goods for export and the working up and disposal of imported goods. Such financing is undertaken by the banks through direct discounting of bills, loans, and, to a very limited extent, overdrafts, as well as by "participations" in the German sense and more remote investments. Both long- and short-term financing is thus undertaken by the commercial banks, which comprise, with the Riksbank at the centre, almost the entire financial system, if the savings banks, with their rather special functions, are excluded.

There are thirty commercial banks, only two of which operate country-wide branch systems and four of which predominate to the extent of roughly two-thirds of the total resources. We have to notice, however, as the first limitation on the powers of the Riksbank, that it can exert but little influence on the volume of money outstanding. The cash reserves of the banks, though held partly in the form of balances with the Riksbank, are very small in relation to deposits and fluctuate within fairly wide percentages. In essence they constitute simply till money and clearing balances, which can be readily replenished in case of need by rediscounting bills at the Riksbank or resorting to the practice of inter-bank borrowing. The smallness and variability of the amount of cash reserves in relation to deposits prevents the Riksbank from governing the total volume of bank deposits through regulating the quantity of bank cash. The total volume of deposits,

moreover, does not depend as a rule upon any "creative" or "destructive" action by the banks. The overdraft system is in only limited use, while bank deposis represent mainly accumulations of true savings. In consequence wide variations in the total of bank deposits such as occur in this country are unknown; the fluctuations in fact taking place are effected chiefly by transfers to or from savings banks and by accretions to or encashments of savings. They are not controlled, as in England or the United States, by the buying or selling, lending or calling in action of the banks, in response to similar operations at the heart of the system, the central bank. As far as currency is concerned, notes are drawn into or flow back from circulation purely in response to public requirements as determined by the state of trade and the level of prices.

Since, then, the Riksbank cannot act through the quantity of money, it is confined to operating on the allocation of bank assets through interest rates, and to exerting a direct influence over exchange rates. Dealing first with rates of interest, it is important to notice that the Swedish banks act in close collaboration through agreed minimum charges for various types of loans and allowances on the different kinds of credit balances. Generally speaking, moreover, all these rates follow fairly closely the official rate of discount at the Riksbank, tending to encourage or deter borrowing by loans or discounting of bills in accordance with the policy for the time being of the monetary authorities. When, however, the official rate moves to a low level the banks may find it impracticable, as they did within the past few months, to reduce all their rates accordingly. The vast bulk of Swedish bank deposits take the form of savings accounts and balances subject to long notice which, according to recent statistics, turn over on the average once only in more than two years. Rates on these deposits are high—at the present time, with the official discount rate at three-and-a-half per cent, they bear for the most part approximately the same rate. More usually the deposit rates are from one-half to one per cent below the Riksbank's discount rate, but the present close proximity is due to the keen competition between the commercial and savings banks for deposits. Correspondingly, with the official rate at about its present level the charges for accommodation are equally inelastic. The Riksbank, moreover, owing to the nature and structure of Swedish banking, as we have already indicated, cannot strongly support its rates policy by active open market operations. The practical limitations on its powers, therefore, are clearly set, though theoretically, when a restrictive policy is required it can "ration" the rediscount facilities accorded to the commercial banks.

The Riksbank is, in a word, better equipped to check a rise in commodity prices than to check a fall. The achievement in this respect is, then, all the more remarkable, even allowing for the influence of exchange rates acting on the prices of imported goods. When Britain left the gold standard the Swedish bank rate was raised from four to five per cent later moving up to eight at the time of Sweden's departure. By the middle of October it was back again at six, and there it remained, along with the Bank of England's discount rate, until the middle of February. At the beginning of June a fourth successive reduction took place, to four, and three months later the present rate of three-and-a-half came into force. The movements indicate that the Swedish authorities were engaged in a regular process of liberalizing the credit situation, though progress may have been delayed by the occurrence of the Kreuger crisis in March this year. The fact that the last reduction failed to transmit itself fully to ordinary banking accommodation gives an indication of the limitation upon the Riksbank's power even in this, the strongest of its instruments of monetary policy.

The instrument of the exchange rate is not so actively employed in the ordinary way. At the time of the departnre from gold the exchange stock at the Riksbank had fallen to a very low level, so that active intervention to steady the extrenal value of the krona was out of the question. Accordingly, wide fluctuations occurred in terms of sterling, first above and later below par, and of gold currencies as well. This general instability continued, with only minor interventions by the central bank, until May. By that time conditions had become calmer following the Kreuger crisis, the sterling exchange settled at about kr. 19.50, and here it remained very steadily until the latest fall in the dollar value of sterling. Meanwhile the exchange stock at the Riksbank has increased to a level which gives it greater influence over current rates. The Riksbank consults with the commercial banks in fixing the daily rates for the various exchanges, and naturally exercises large powers in this matter.

Clearly, then, the Riksbank, by its direct action on the external value of the krona can influence its internal purchasing power and the statistics we have quoted show how *important this influence can be. The limitations to its powers in this respect are determined by the size of its resources, on the one hand in exchange, on the other in kronor, and, in the longer run, by the degree of accuracy attained in establishing equilibrium between quoted exchange rates and true purchasing power parities.*

Briefly, then, we may say that the Riksbank has but little control over the quantity of money in the country; that it has a high degree of control over rates of interest, though its powers to force rates down are more circumscribed *than its powers to force them up: and that it can exert a strong influence* upon internal prices—directly on primary and indirectly on retail prices—through its operations in the exchange market, which are subject to the natural limitations of this instrument wherever it is used. Bearing in mind *the limitations and the stage now reached in the experiment*, it would be premature to say that Sweden has demonstrated completely the power of a central bank to regulate the internal value of the currency unit in whatever way, and to whatever extent, seems desirable. It can be said, however, *that up-to-date the internal purchasing power* of the krona has been kept stable, partly by deliberate action of the central bank, notwithstanding grave disturbances and disequilibria, industrial, trading and financial, both within Sweden and without.

In conclusion, we may perhaps venture on one word as to the future. Clearly, if gold prices resume a declining tendency they will in present circumstances set an obstacle in the way of the fulfilment of Sweden's monetary objective. This, however, would not be nearly so important an obstacle as a fall in British prices. *On the other hand, if British prices rise, and still more if gold prices* rise as well, there sems no reason to doubt the possibility of fulfilling, in detail as well as in general, the expressed policy of the Swedish authorities. Such are the limitations on individual policies pursued by the *smaller nations, which set the seal on the vast responsibilities of the larger.*

World Economic Conference.

Causes of Depression.

London.—*At the commencement of the* fourth quarter of 1932 industrial, commercial and financial circles are wondering whether the bottom of the depression has been reached and if it is legitimate to look for an early improvement in international trade. At the end of August the signs appeared propitious, *but September has proved a month of uncertainty*, and it would be difficult to forecast the trend of events during the next three months.

To-day it is clear to every one that the unreasonably low level of commodity prices is the main cause of the continuation of the *depression. At present prices no country is* producing wheat for the world market at a profit. The returns to the graziers for exported meat are below any possible cost of production. The position of dairy produce is similar, and rubber and many other plantation products are at price levels which are wholly *unremunerative. There has been some* improvement in the prices of raw materials, especially in regard to cotton, wool and the non-ferrous metals, but the maintenance of less, *it appears probable that the year 1932 will end on a note of moderate optimism.*

What reasons can be advanced for this change from the pessimism of the first half of the year to a sufficient confidence in the future to be in itself almost a guarantee of better times?

First place must be given to the remarkable financial recovery which Great Britain has achieved since September 21, 1931. The series of steps which have been taken, culminating in the great success of the War Loan Conversion, have shown how in one country at least financial stability can be restored. The fact that Great Britain has *been able to establish firm ground where a* year ago all appeared a morass is having a valuable psychological and economic effect on other nations.

A Period of Conferences.

There can, however, be no doubt that among the many causes which have intensified the world depression, those which may be described as political, or as falling within [illegible] should be regarded

as of great importance. So many attempts have been made to solve these problems by means of International Conferences that the decade following the War might be legitimately described as the period of world conferences. The lack of success of these efforts had led to a wide-spread attitude of cynicism towards the likelihood of Governments reaching constructive agreements by these methods. The Lausanne Conference, however, removed a numberof political difficulties and re-established belief in the efficacy of the conference method. This is perhaps the explanation of the widespread interest and hope which attends the forthcoming meeting of a World Economic Conference. This conference is in fact the logical sequence of what was accomplished at Lausanne. But between Lausanne and the World Economic Conference Ottawa has intervened.

Are the results of the Ottawa Conference likely to prove a help or a hindrance to world economic recovery? Full information as to what has been agreed at Ottawa is not yet available, but the published reports make it possible to form definite opinions as to the probable effects. It was, of course, impossible for the countries of the British Empire to arrive at methods of economic co-operation through the extension of Imperial Preference without bringing about some detrimental effect on the export trade in some commodities from certain foreign countires. This probability was, however, recognized, and the effects of the moderate extensions of preference were thus largely discounted in advance.

An examination of the Ottawa Agreements, together with the appended schedules, so far as they have been published, indicates that the concessions granted by Great Britain should not prove very onerous to foreign suppliers. The duty on Danish butter is increased from 10 per cent *ad valorem* to a specific rate of 15*s.* per cwt., a figure roughly equivalent to 15 per cent at present prices. If, however, butter prices recover to the levels of 1929 the duty will again be only equivalent to 10 per cent. The case of butter is typical of many other commodities. Many foreign interests must, indeed, have heaved a deep sigh of relief when these schedules were published, since more drastic measures must have been anticipated. The new duties on some fruit products may prove a more serious handicap; for instance, the duty of 4*s.* 6*d.* per cwt. on foreign apples may render it more difficult for the United States of America to dispose of her surplus in this market. Similarly, Brazilian oranges and Turkish or Californian sultanas will encounter more formidable barriers; but these do not belong to the class of commodity which largely affects world trade. No information is yet available as to the type of quantitative restriction to be imposed upon foreign meat, and South American interests will await publication with some apprehension.

Nevertheless, taking as a whole the concessions promised by Great Britain, it seems improbable that they can be regarded as likely to cause severe dislocations of foreign trade.

India and Dominions.

Turning to what the Dominions and India are about to do to aid British trade—at the moment there is, again a lack of precise information. Great Britain holds so large a share of the import trade of India and the Southern Dominions that the steps which these countries are about to take to help the British manufacturer to obtain a still larger share are not likely to press with especial severity on the foreign industrial exporting nations. In Canada the position is wholly different, for the British share of Canadian imports has not been much above 16 per cent for some years. Canada was, therefore, in a position to give immediate and substantial assistance to Great Britain through improvements in her preferential system. The United States of America has held over 60 per cent of Canadian imports and therefore Great Britain's gain is likely to be America's loss. American industries are also more likely than those of France and Germany to be affected by the increase in preference granted by the other parts of the oversea Empire. These circumstances make a study of American newspaper comment upon the Ottawa Conference of special interest. The views expressed naturally differ widely, but there appears to have been a wide-spread impression that on the whole the Ottawa Conference was likely to do more good to world trade through the increase in confidence within the British Empire than harm through the penalization of the trade of foreign countries.

In two directions—namely, tariff and monetary policy—Ottawa may well prove to have made as important contributions to the success of the World Economic Conference as Lausanne.

In the Ottawa Agreements it is provided that Australia and Canada will follow the methods adopted by Great Britain for placing

the main responsibility for tariff policy upon an impartial and independent Committee. The acceptance of this principle should be regarded as offering to the world an outstanding example of the way to take tariff administration out of politics. The political pressure which great industrial interests or highly organized trade unions can bring to bear upon politicians has led to most undesirable abuses of tariffs and to the protection of unsuitable industries. If the World Economic Conference recognizes the advantages of the methods now to be adopted in the industrialized portions of the British Empire, some of the worst features of present-day high protection may disappear.

The Ottawa Agreements also contain undertakings by Canada and Australia to adjust their protective tariffs to a level which will allow the British manufacturer a reasonable chance of competition. This is an example of the lowering of tariff barriers which is new and should prove of great significance to the world at large.

The published reports of the Ottawa discussions on monetary and financial matters have disappointed many of those who believe that the main solution of the world's present economic difficulties can be found through reforms in monetary policy. Nevertheless the Conference marked a very significant stage in the progress of the financial policy of the United Kingdom. The British Government, through the Chancellor of the Exchequer, definitely declared its belief that prosperity cannot be expected so long as the prices received by the producers of agricultural commodities are unduly low. The United Kingdom Delegation, therefore, fully recognized the desirability of British financial policy being designed to assist to bring about a rise in the price levels of commodities. In effect, the British Delegation endorsed the main finding of the Macmillan Report, and this certainly represented a considerable advance over any declaration of policy made before the Ottawa Conference. The fact that the representatives of the world's greatest importing nation should have adopted this attitude should lead to important results at the World Economic Conference.

An Uniform Price Level.

There is little doubt that this policy will also find favour in the United States of America, and the support of both Great Britain and the United States for methods of improving price levels should go a long way to guarantee a successful outcome. If, indeed, at the coming Conference means can be found for concerted action which will first raise commodity prices and then introduce methods for maintaining prices at a more uniform level, the effect should be so great as to ensure the passing away of the depression.

Rising prices will immediately increase the purchasing power of the agricultural countries, thus leading to a substantial revival of the export trade of industrial countries. Indeed, even foreign countries the volume of whose exports to Great Britain may be decreased through the application of the preferences agreed to at Ottawa may find that they will gain considerably more through improved prices than they will lose through decreased quantity of exports.

In the present state of knowledge, first, of the full scope of the Ottawa Agreements, and, secondly, of the agenda of the World Economic Conference, it is impossible to reach definite conclusions as to the effect of Ottawa upon the coming Conference. Nevertheless, it does appear probable that the general effect of Ottawa will be to improve the chances of success in London.

Mr. Montagu Norman, Governor of the Bank of England, who eluded all interviews on his arrival in England recently from the United States is perhaps the shyest of men in the public eye. He is known to reporters as the most inaccessible of subjects and his resource in avoiding interviews and publicity of any kind is baffling even to them. He cannot be drawn by any means into participation in public, official and social functions. Mr. Norman is also known to maintain the same shy reserve in private life. It is often said that he never reads a newspaper [illegible] the ebb and flow of human affair about him. It is, however, a mere legend, for there are few better-informed men in London, and no one judges more shrewdly personalities and the trend of events which influence the money markets of the world.

There is something sacred about wages — they represent homes and families and domestic destinies. On the cost sheet; wages are mere figures, out in the world wages are bread-boxes and coal-bins, babies' cradles and children's education, family comforts and contentment.

Canadian Trade and Finance.

The Ottawa Conference.

Montreal, October 24, 1932.—From the beginning of the depression, new tariffs, foreign exchange restrictions and embargoes have been employed in almost every country in order to check imports. By the first quarter of 1932 the gold value of the imports of the United Kingdom had been reduced to 46 *per cent of the value of the imports of 1929.* For the United States this ratio was 35 per cent; for Canada, 33 per cent; for New Zealand, 30 per cent, and for Australia, 17 per cent. It would seem then that efforts to reduce imports have been amazingly successful. International trade has entered upon an eclipse.

It is the British peoples who have been most restive under these new restrictions. The British Empire was founded upon traditions which are closely linked with world trade; both the standard of living in Great Britain and the prosperity of the Dominions are more closely associated with the growth in world trade than with any other single factor. The rejection of plan after plan for improved commercial co-operation between the nations of the world seemed to indicate that the world was not ready for a mutual and co-ordinated attack upon the problem. In the dilemma created by this great need for trade, an Empire Economic Conference was assembled to determine the extent to which loss of international trade could be offset by increased trade within the Empire.

The concessions made at the Conference give promise of an increased volume of trade between Empire countries. In the letter for September there was an article dealing with Great Britain's concessions concerning wheat, live-stock, beef, bacon, cheese, butter, apples and tobacco, as well as the agreements regarding lumber and mineral products. In addition to detailed comments on the articles just mentioned, it was pointed out that a wide variety of manufactured products from Canada would be exempt from the duties levied under the new general tariff. A table containing the details of this new British general tariff was included. In that letter we expressed the opinion that the preferences extended by Canada on British goods would be found no less generous than those which had been received. This prediction has been justified by the subsequent publication of the concessions made by Canada.

Current newspaper and periodical comments on the tariff concessions made by the Dominions, and particularly by Canada, fail to give due weight to the generous preferences already accorded to British goods. In the years 1930, 1931 and 1932 there have been at least three major revisions of the Canadian tariff, *and the items in which there have been changes* made constitute at least five-sixths of Canada's total imports. If from total imports we deduct the value of raw cotton and petroleum and other raw materials which come into Canada free of duty, there is a preferred British rate on about nine-tenths of the remaining Canadian imports. Each of these changes has produced some increase in the general tariff and each revision has brought increasing opportunities for the British exporter.

Since these revisions were made at a time when the volume of international trade was falling rapidly, it is not possible to secure evidence as to the probable net effect of these revisions upon flow of trade in normal years. On October 13th, an estimate was issued by the Department of Commerce of the United States stating that in normal years the most recent changes would reduce United States exports to Canada by about $75,000,000. Like calculations issued in connection with the former revisions bring the total of their estimates of the effect upon trade to more than $125,000,000. There is no evident reason for these estimates to be exaggerated; in fact, if the following facts are pertinent, the British exports to Canada in normal years may be increased by much more than the amount suggested.

With their initiative held in check by the discouragements connected with falling price levels, British manufacturers and exporters have not yet fully expored the opportunities offered by the Canadian market. Canadian merchants and importers have gone so far as to suggest that the British have not been alive to the preferences granted under the tariff which was in existence prior to the revisions mentioned. It is their contention that adequate stocks and replacements have not been kept in Canada, that few intensive studies have been made of the peculiarities of Canadian demand, that adequate arrangements have not been made for financing the sale of goods customarily sold on the partial payment plan, and that suitable organizations have not been built

up to service the products which are sold in this country. On the other hand, the reply *which the British manufacturer might make to* these contents is to the effect that preliminary *investigation had shown them that the volume* of business they could do in competition with the American plants just across the line was not sufficient to warrant the expense necessary for carrying on these activities. *If there is even a modicum of truth, however,* in the contentions mentioned above, then the extraordinary emphasis which recent publicity has laid upon the potentialities of the Canadian market, together with the new tariffs, may lead to some of the changes suggested. Certainly, the Canadian market is now receiving *more careful analysis by British manufacturers.*

As yet, the percentage of imports coming from Great Britain has not been greatly changed. It takes time to build up new trade connections, to establish agencies and service organizations; these developments do not take place rapidly during a depression. *The public has not become accustomed to* British trade names, but in time British goods generally may be as well known in Canada as corresponding names and goods from the United States. In general, the price level in Great Britain and the cost of manufacture *should be sufficiently low to enable British manufacturers to offer goods at prices which* will prove decidedly attractive. The very fact that British manufacturing is not done on as large a scale as that which prevails in the United States should permit the British manufacturer to adjust his product to the idiosyncrasies of Canadian demand more readily *than could the manufacturer in the United* States. British goods have the reputation for high quality; this reputation will react very greatly in their favour. Canada has made the concessions; the volume of sales will now be dependent upon the initiative of the individual British manufacturer or exporter.

AN ANALYSIS OF CANADIAN IMPORTS.

Turning then from a consideration of the probability of increased imports from Great Britain to an examination of Canada's total imports in the fiscal year of 1926, a year of reasonably normal volume of total international trade, with a view to determining *the quantities of goods which might possibly* have come from Empire sources, we find that total imports for that year had a value *of $927,000,000, that $163,000,000* came from the United Kingdom, and that about $41,000,000 came from other parts of the Empire.

Canadian Imports, 1926.
(000 omitted)

	United Kingdom.	United States.	Total.
	$	$	$
Agricultural and vegetable products	34,613	98,496	203,417
Animals and animal products	5,961	32,954	49,186
Fibres, textiles and textile products	70,164	79,105	184,762
Wood, wood products and paper	3,474	34,715	40,403
Iron and its products ..	17,907	158,028	181,197
Non-ferrous metals ..	5,303	37,810	47,693
Non-metallic minerals ..	14,227	110,679	139,034
Chemicals	4,282	18,746	28,400
Miscellaneous	7,801	38,085	53,233
Total ..	163,732	608,618	927,329

In addition to giving the value of the imports *of each of the more important items mentioned* above, the following sections show a few examples of the tariff rates now in force against these items giving the contrast between those imposed on British and non-British products. It is by *no means* possible to print the full tariff in these pages, and only reasonably typical examples are *given. It should* be kept in mind that British rates on almost all dutiable articles are lower than the rates charged under the general tariff.

Total Agricultural Imports in 1926—$203,417,000.

	$
Fruits	27,000,000
Nuts	4,500,000
Grains and farinaceous products .. (*Maize constituted over one-half of this item.*)	15,000,000
Sugar	36,000,000
Cocoa, tea, coffee, spices	22,455,000
Beverages	25,254,000
Rubber	37,183,000
Tobacco	7,525,000

The items mentioned above account for *$175,000.000 of agricultural imports out of* the total of $203.000,000. Since Canada's sugar imports come largely from the British West Indies and from other Empire countries, since an increasing proportion of our fruits come from the same source and there is also a tendency to increase the amount of canned fruit from Australia and South Africa; with beverages from Scotland; rubber from British Malaya; cocoa from the British West Indies and the Gold Coast and maize from South Africa, there is little need to go outside the Empire except possibly for coffee and tobacco. Aside from the important items

mentioned above, there are a number of those making up the remaining thirty million which come or could come from Empire sources. It does not follow, however, that nine-tenths of our future agricultural imports will come from within the Empire, but these statistics seem to indicate that Canada need be much less dependent on non-Empire countries than has generally been supposed.

	British Pref.	Inter-mediate	General
Oranges, per cubic foot	Free.	35c	35c
Bananas, imported direct	Free.	50c	50c per bunch.
Canned peaches	2c	4c	5c per lb.
Australia	4c	..	..
Canned pineapples	1c	4c	5c per lb.
Tea, imported direct	4c	8c	8c per lb.
Spirits and strong waters	$8 and 30%	$10 and 30%	$10 per gal. and 30%

Total Animals and Animal Product Imports in 1926—$ 49,186,000.

	$
Furs and fur skins	10,661,000
Hides and skins	9,330,000
Leather and manufactures of	7,518,000
Meats	5,117,000
Milk products	4,262,000
Fishery products	2,294,000
Oils, fats, etc.	2,157,000
TOTAL	41,339,000

It is quite clear that there is a tendency toward increased production of meats, hides and skins, and milk products in Canada. Certainly, with the resources of Australia and New Zealand to draw upon there should be no great necessity for imports of those items from other sources. Part of the fishery products imported comes from Newfoundland and Hong Kong. To some extent it should be possible to increase the relative popularity of the products of our own fisheries. There is no single item among our fishery products imports which comes to any large amount. Imports of oysters shelled in bulk amounted to $287,000 in 1926 and $229,000 in the fiscal year of 1931-32.

	British Pref.	Inter-mediate	General
Upholstery, leather, not further finished than tanned	Free.	15%	15%
Meats—beef, veal, mutton, lamb	4c	6c	8c per lb.
Australia	3c	..	..
Butter	8c	12c	14c per lb.
Australia and New Zealand	5c	..	..

Total Fibres and Textile Imports in 1926—$ 184,762,000.

	$
Raw cotton	29,462,000
Semi-mfd. or mfd cotton	33,013,000
Hemp, jute, flax and products	16,887,000
Silk and its products	25,542,000
Wool and its products	46,036,000
Rayon and its products	5,159,000
Other fibres	11,459,000
Mixed textiles and fibres	17,204,000
TOTAL	184,762,000

So far as cotton is concerned, Canada will continue to import this raw material. More and more semi-manufactured and manufactured cotton will be made in Canada or imported from Great Britain. It is probable that nearly all of our linens will continue to come from Great Britain and Ireland.

We are making our own artificial silk in increasing amounts, and of course rayon is rapidly replacing the demand for silk and some cottons. *Agreements reached during* the Imperial Conference provided that the tariff on British cottons and woollens of a type not manufactured in Canada would be substantially reduced, so that there is some prospect that a larger proportion of these goods will come from Great Britain.

	British Pref.	Inter-mediate	General
Cotton yarns and warps No. 40 and finer	Free.	25%	25%
Woven fabrics wholly of cotton, composed of yarns of counts of 100 or more	Free.	27½% and 3½c per lb.	32½% and 4c per lb.
Articles wholly of flax or hemp, n.o.p.	Free.	30% and 3½c per lb.	35% and 4c per lb.
Wool, woven fabric not exceeding 4 oz. to the square yard in the gray	Free.	25% and 17½c per lb.	30% and 20c per lb.
Billiard cloth	Free.	35% and 30c per lb.	40% and 35c per lb.
Silk woven fabrics, not less than 7 lbs. per hundred yards and imported to finish	17½%	30%	45%
Artificial silk: woven fabrics wholly or in part	27½% and 30c per lb.	40% and 40c per lb.	45% and 40c per lb.

Total Iron and its Products Imports in 1926—$ 181,197,000.

	$
Ore	2,020,000
Rolling mill products	40,581,000
Engines and boilers	12,862,000
Farm implements and machinery	13,337,000
Other machinery	32,032,000
Vehicles	40,330,000
(Auto parts $ 23,111,109.)	
Total	141,162,000

The items mentioned above account for only $141,000,000 out of a total of $181,000,000 It will be noted that automobile parts constitute $23,000,000 of the total. Since these parts *are now being imported for further manufacture* in Canada it is doubtful whether there *will be any change in this category.* If British cars were exported to Canada, or if British cars should be made in Canada, substantial changes in the relative proportions of the sources of these imports might result.

The change in tariff on farm implements makes it probable that a larger proportion of *these will be made in Canada* and that imports will be correspondingly reduced. There *also have been very substantial changes* in tariff on rolling mill products favouring Canadian industry. For items of this type which are not made in Canada, however, the new tariffs are much more favourable to Great Britain than those which formerly existed. It is conceivable that British iron *and steel industries will benefit accordingly.*

So far as machinery in general is concerned, it is in this classification particularly that large supplies of spare parts, and better service on the part of British firms, are much needed in this country. Here, if anywhere, improved organization should produce improved sales.

	British Pref.	Inter-mediate	General
Sheets, plates, etc., of rust, acid and heat-resisting steels valued at not less than 5c per lb.	Free.	20%	20%
Bars of iron or steel, hot *rolled*, per ton, 5" *in diameter* or larger	Free.	$7	$7
Ingots, etc., of iron or steel, of a class not made in Canada per ton, n.o.p.	Free.	$3	$3
Barbed wire fencing	Free.	10%	10%
Cream separators and parts therefor..	Free.	25%	25%
Typewriters and parts thereof	Free.	25%	25%
Automobiles and motor vehicles *retailing at less* than $ 1,200 ..	Free.	17½%	20%
Do. retailing from $1,200 to $ 2,100	Free.	22½%	30%
Do. n.o.p. (over $2,100) ..	Free.	30%	40%

Total Imports of Non-Ferrous Metals and their Products in 1926—$ 47,693,000.

	$
Copper	7,415,000
Brass	4,376,000
Electric apparatus	16,016,000
Clocks and watches	2,345,000
Alumina and bauxite	2,588,000
Aluminium	1,360,000
Total	34,100,000

Canada is becoming better and better equipped to manufacture her own electric apparatus, but *the proportion* of this type of goods coming from Great Britain has been increasing since the tariffs have been changed and the admission of these goods on the free list constitutes a most sweeping concession.

Alumina and bauxite come from British Guiana and are, therefore, Empire products. Even the last two or three years have made a great difference in the amount of copper *which Canada must import. The Canadian* refining industry is now well able to take care of Canadian requirements.

The British preference rates on clocks amount to 20 per cent, while the intermediate and general tariff amount to 30 and 35 per cent respectively. On watch movements, *British goods come in free,* while the intermediate and general tariffs are each 15 per cent. As to whether or not a larger proportion of our goods of this type will come from Great Britain remains to be seen.

	British Pref.	Inter-mediate	General
Copper in strips, sheets, etc.	5%	10%	10%
Electric telegraph or telephone apparatus and parts	Free.	25%	30%
Electric wireless or radio apparatus and parts	Free.	25%	30%
Electric steam turbo-generator sets, of a kind not made in Canada 700 h. p. and greater	Free.	20%	25%

Total Imports of Non-Metallic Minerals in 1926—$ 139,034,000.

	$
Clay products	7,596,000
Coal	63,654,000
Glass and glassware	7,298,000
Petroleum	45,700,000
Stone products	4,907,000
Diamonds	3,213,000
Total	132,368,000

The increased general tariff on coal, and the efforts which are being made to extend the use of British coal in Canada, may produce a

decrease in our imports from other countries. With relation to petroleum and some other raw materials, such as cotton, the importation of the raw material from non-Empire sources when it is not obtainable in satisfactory quantities from Empire sources, does not conflict with the idea of making the Empire as self-sufficient as possible. The new duties on glass and glassware are very favourable to Great Britain. It is probable that a larger proportion of this type of goods will come from Britain than in the past.

	British Pref.	Inter-mediate	General
Common and colourless window glass ..	Free.	15%	15%
Plate glass not bevelled in sheets or panes ..	Free.	25%	25%
Glass tableware.. ..	20%	30%	32½%

Total Wood, Wood Products and Paper Imports in 1926—$ 40,403,000.

	$
Unmanufactured	10,474,000
Manufactured	8,377,000
Paper	9,404,000
Books and printed matter ..	12,149,000
Total ..	40,403,000

Both as regards paper and books and printed matter, the overwhelming bulk of Canada's imports comes from the United States. Whether or not it should be feasible to import a larger proportion of book paper from Great Britain with the existing preferential in favour of British paper, there may be some question, but as regards the other items in this whole classification there is no obvious probability of shift in trade to Britain or other parts of the Empire.

Total Chemical Imports in 1926—$ 28,404,000.

	$
Fertilizers	3,420,000
Paints	3,998,000
Inoragnic chemicals	5,460,000
Dyeing and tanning	3,337,000
Drugs	2,992,000
Cellulose products	1,939,000
Total ..	21.146,000

In general, the new tariff on chemicals greatly favours British products. While Canada is producing a larger proportion of her own paints and fertilizers than in the past, the scale of industrial production in this country is not sufficient to warrant the building up of diversified chemical industry. It would require a special study of Empire resources to determine the extent to which various chemicals and dyes can be produced from Empire products and manufactured within the Empire. It is quite evident that more of these products are destined to come from Great Britain in the future, but it is impossible at the present time to suggest the potential worth of this trade to British industry. In his speech presenting the last tariff to Parliament, the Prime Minister said, "Important as is each item of this schedule from the point of inter-Empire and world trade, the mere arithmetical total does not begin to review the total significance of the proposed fiscal arrangement. In some cases one new item—such as that, for instance, covering chemicals and drugs of a kind not produced in Canada—embraces within its few words a field of trade and commerce that is almost illimitable and that will grow in scope with the development of science and industry."

	British Pref.	Inter-mediate	General
Aniline and coal tar dyes .	Free.	10%	10%
Calcium chloride for road-treating purposes..	Free.	15%	15%
Phosphorus and compounds	Free.	20%	20%
Stearic acid	Free.	17½%	20%
Acids of a kind not produced in Canada ..	Free.	25%	25%
Sulphuric ether and chloroform	Free.	25%	25%

It is not the purpose of this Letter to suggest the extent to which the flow of trade will be shifted by the various tariff changes of the past three years. It seems probable that there are forces at work, sufficiently complex and powerful, to make great changes in the routes of world trade. As Canada makes new agreements with countries, both within and without the Empire, there will be corresponding changes in the sources of many of our imports. It is becoming more and more clear that such arrangements are to be made on a reciprocal basis and that a larger proportion of imports than in the past will come from countries which accept Canadian products in return. For the world as a whole there can be little doubt that close bargaining will not produce as large a volume of trade as would result from a free inter-play of natural economic forces. For the Empire, and particularly for Canada, this same statement does not seem to be necessarily true. To a very considerable extent it would seem that Canada could supply her own requirements from Empire sources, even though she were cut off from a large proportion of her trade with the rest of the world. If the peak of the movement toward higher tariffs were reached at the Ottawa Conference, and

if the world from this time on come to a clearer understanding of the dire consequences which follow upon trade restriction, the Conference may eventually be considered a major turning point in economic history.

As to whether present developments are merely part of the psychological reaction to post-war conditions, and particularly to the depression, it is too early to forecast. Empire countries produce a surplus of a wide variety of products. If they cannot sell these to other parts of the world it is certainly essential that they sell them within the Empire. It is only in this manner that the standard of living can be maintained at anything like the level which now exists.

American Economic Life.

Insull's Rise to Power.

Chicago.—On the day that Samuel Insull fled secretly to Europe, the newspaper in Chicago that calls itself "the world's greatest newspaper" carried on the front page a two-column editorial demanding a return to the era of untrammelled individual initiative in American economic life. There is a curious humour in this, for Insull's collapse symbolizes the end of the last phase of a long period of unrestrained individual exploitation of American resources and people. The system which produced Insull may achieve again a kind of stability, but, for various reasons, there will almost certainly never be the same crude exhibition of the will to power in the economic field.

Insull's methods were crude. They were so crude that when they came flagrantly into the open for the first time in 1926, the higher powers in New York decided that Insull must go. A long battle on the electric-power front followed, raging hardest in New England. But for the depression Insull might have hung on.

Early History.

In a striking way his career illustrates the danger involved in the concentration of such enormous power in a single individual. It paralyses the wills and the minds of those who come in contact with it. And finally it destroys the judgment, the intellect, the sensibilities, of the individual himself and leads him into the trap that will destroy him. If the eye-gouging game indulged in by those at the top of the financial heap concerned only themselves, it would make no difference whatsoever. But it happens to involve a commodity vital to modern life. It involves directly the fate of an army of employees and another army of small investors. It involves the stability of essential financial institutions.

Insull was born in London in 1859, but not long afterward his parents removed to Reading, England, where he attended school until he was fourteen years old. There was no more money for tuition and Insull took up the study of shorthand and typewriting and obtained a position in London. Fired from this job, he answered a "blind" advertisement and obtained a post as secretary to E. H. Johnson, then the London agent of Thomas A. Edison. Johnson once wrote to Edison: "If you are ever in need of a secretary, the young man to whom I am dictating will make an excellent one." And later when Johnson was in America, Edison saw the weekly reports which Insull forwarded from London and was impressed by their conciseness. The inventor sent for Insull.

Ideal Servant.

The association of Edison and Insull was to have far-reaching effects upon the development of the electrical industry in the United States. Edison, above all a shrewd business-man, was an ideal tutor for Insull. But as the former soon discovered, his young secretary, only twenty years old at the beginning of their association, needed little tutoring. To an increasing degree Edison trusted his financial affairs to Insull. Very much later, when Insull was at the height of his power, Edison was to say: "Insull is one of the greatest business-men in the United States and as tireless as the tides." During the decade that he worked for Edison, Insull had a prominent part in the formation of the early Edison companies: the Electric Tubing Company, the Edison Machine Works and, later, the Edison General Electric Company, which was subsequently to become the present General Electric Company.

Insull appears at this time to have been the ideal servant of big business. He was discreet, cautious, a decent-looking young chap with mutton-chop whiskers, whose zeal for work matched Edison's own. He seems to have known from the beginning where he wanted to go, but his ambition was held in

careful check. With the formation of the General Electric Company, Edison had, in effect, transferred his basic patents to a corporation in which he held a large interest, a corporation controlled by capable and efficient business executives. He no longer had an acute need for a financial secretary such as Insull. By way of a reward for past services Insull was made a vice-president in charge of manufacturing in the new company.

Light and Power.

It was the kind of job in which a young and willing servant of business might expect to find himself. It required tireless attention to detail, patience and a capacity for great deal of hard work. It was not the kind of job that Samuel Insull wanted to hold for very long. In 1892 he appealed to Edison for a better position, one that would give more scope to his abilities. Edison went with Insull to Chicago and persuaded a group of bankers there to make the latter head of the Commonwealth Electric Company, then one of five struggling companies that supplied Chicago with light and power.

Here was an ideal field. It is plain that Insull already held the concept of concentration and consolidation in the electrical industry. And, moreover, such early public-utility pirates as Charles T. Yerkes had left in Chicago a useful tradition. It took Insull fifteen years to concentrate the five electric-light companies into the Commonwealth Edison Company, writes Sir W. Childs in the *New Republic*. Five years later, in 1912, he formed the Middle West Utilities Company around a group of power units in Illinois and neighbouring states. All this was accomplished by the most ruthless driving back. Small plants were junked, power lines were concentrated. Competing companies were merged. His technique as a utility operator was perfected during these years.

Even those who have fought Insull most bitterly have never questioned his self-righteousness. He was no Machiavellian cynic, laughing as he pulled the strings of government to serve his own ends. He was the ultimate pragmatist bent on getting things done as he wanted them done. It is possible, as has been said, that great wealth was of secondary consideration, possible even, that a sense of personal power was secondary to this thirst for tangible achievement: for creating one monopolistic electric company where five weak ones had competed with each other. Holding the mass in contempt as he did, it was not difficult for him to refuse the welfare of Samuel Insull with the welfare of the public—that tragic American confusion which is supported by a latent Calvinism, serving as such an admirable quietus to any last faint squirmings of conscience: more dangerous, perhaps, than the candid piracy of the Goulds and Vanderbilts of an earlier generation. Armoured with self-righteousness, Insull was prepared to beat down all obstacles. His methods in the people's Gas Light and Coke Company valuation case illustrate his ruthless tactics in the face of opposition.

Fight was On.

The gas company in Chicago was a relatively weak property. It awaited the magic Insull touch. What was required above everything else was an increase in valuation for ratemaking purposes of \$ 20,000,000 to \$ 30,000,000. In the path of Goliath Insull stood what appeared at the outset to be a very insignificant David. The appointment of Lonald Richberg as a special counsel for the city in the gas case was one of Mayor "Big Bill" Thompson's blundering mistakes, a mistake which he never repeated. "Big Bill" already on Insull's books for a hundred-thousand dollar campaign contribation, had been careless in naming the aldermanic committee to choose a special counsel. The committee, after lengthy internal dissension, named the young progressive lawyer, Richberg. The fight was on.

Richberg had to fight not only Insull but the city administration itself. For Samuel Ettelson, corporation counsel for Chicago, was the real power at the City Hall and Ettleson was Insull's man. He had been attorney for Insull and through all the years that he served as corporation counsel, his law partner, Dan Schyuler, remained on Insull's pay roll, but that interrelation is seen to be more significant later in the narrative. In an early victory Richberg gained access to the dark obscurities which lay behind the balance sheets of the gas company. The Insull forces were obviously worried. They put detectives on Richberg's trail with orders to get something on him that could be used for blackmail. Ettelson tried repeatedly to remove Richberg. Nothing worked. Strategy was called for.

Insull himself telephoned to Richberg. "I want peace, young man", he said. "But I don't want peace at any price." It appeared to be a genuine confession of defeat. Insull offered a fair settlement—a fair rate based

country would produce £5,000,000: and Poor Law relief in recent years has cost from £4,000,000 to £8,500,000. The Exchequer would distribute a sum which, on the basis of *3,000,000 unemployed, would amount to* £58,000,000. Assistance would be subject to *proof of need*: and need would be judged after assessment of the household's resources. The amount of relief must be definitely less *than wages*. The Commission recommends the application of the means test in a manner *free from severity and with liberal allowances* for savings and earnings and the possession of house property.

NEW CONVERSION LOAN.

The outstanding event of the week has been the issue of a new Government conversion *loan. The loan amounts to £300,000,000, and* is in three per cent stock the price of issue being 97½ per cent. It is redeemable at par at latest on March 1, 1953, but the Government has the option to repay the stock in whole or in part at any time on or after March 1, 1948. Subscription lists were to be opened *and closed on Thursday, the Treasury allowing* only one day for the receipt of applications, but in actual fact the lists were open for less than a day, being closed at 12.15. The object of the issue is to provide funds for the repayment of Government indebtedness maturing between December 1 and February 1. The *total amount of such indebtedness is nearly* £447,000,000, which includes the small balance of £165,000,000 of five per cent. War Loan that remained unconverted, £140,000,000 of four-and-a-half per cent treasury bonds, and £13,000,000 of the old four-and-a-half per cent War Loan, all of which will be repaid *on December 1*, besides £114,608,000 of five per cent treasury bonds and £14,000,000 of four-and-a-half per cent treasury bonds which are due for repayment on February 1. The Government has already provided itself with £150,000,000 of funds towards meeting these maturities by means of the issue last month of two per cent treasury bonds at par, leaving a balance of nearly £297,000,000 which the present issue is designed to cover.

The new loan met with a very good reception in the City, because there is a marked *lack of full trustee securities standing below* par and having at the same time a definite *date of maturity within 15 to 20 years*. It was responsible for a readjustment of prices in the gilt-edged market, as a result of which British Funds enjoyed an appreciable rise. They have not maintained their best prices this week, a number of profit-taking sales by speculators having been responsible for a reaction from *the highest points, but on* balance prices are materially higher; the Assented War Loan, for instance, has been appreciably above par. It will take some time for the readjustment of prices to be completed, and some irregularity is therefore to be expected in the gilt-edged market in the next *few* days, but on balance the trend should continue upwards.

This is the fifth conversion operation this year, and together they have resulted in substantial savings to the Exchequer. The direct Budgetary saving of interest in a full year resulting from the present operation is estimated at approximately £5,500,000 gross, which brings the total savings in the whole *series of conversion operations since the end* of June, when the great five per cent War Loan conversion scheme was launched, up to about £38,000,000 gross. With the operations instituted earlier in the year the full savings on the debt are brought up to about £40,000,000. There have, of course, also been *savings running into several millions on the* cost of renewing the floating debt, as a result of low discount rates for Treasury Bills. The total savings are equivalent to 1s. off the income-tax, and the tax-payer will be sadly disappointed if, when the next Budget is introduced, he does not reap the benefits *which cheap money and enhanced* National credit have brought to the Exchequer. A great part of the enhancement of National credit that has occurred in the last 12 months has resulted from the solid work which the National Government has done to rehabilitate the State's finances, by giving an honest *balance to the Budget, and to improve the* country's balance of payments. But it must be recognized that the tax-payer has also played a large part in enabling the Government to rehabilitate the State's credit by meeting the onerous claims of the income-tax collector with promptitude if not without complaint.

F.B.I. AND OTTAWA.

In view of the promise made by the Governments at Ottawa "to facilitate and assist by *all available means*" and "to give effect to the principle of industrial co-operation, which *may be put before them by responsible parties* representing similar industrial interests in the parts of the Commonwealth affected," the Federation of British Industries has decided to strengthen its Empire Committee by

inviting every industry in the country not at present represented to appoint a representative on the committee. In addition, it proposes to invite agricultural interests to associate themselves with the committee over which Sir Hugo Hirst will preside. The main objects of the committee are to formulate and present industrial opinion on questions left unsettled at the Ottawa Conference; to facilitate the organization of British industrial interests, with a view to presenting the views of the various British industries before the Tariff Boards and other investigating authorities which will be set up throughout the Empire as a result of the Ottawa Agreements; and to encourage and facilitate the dispatch of missions to the Dominions, India, and the Colonies for the purpose of investigating the problems of complementary production and co-ordinated sales policy. The Federation regards the formation of this committee as the foundation of an organization which will find the scope of its activities growing wider and wider for some years to come. The estimated value of goods which British industries could supply to the oversea Empire, and which are now being supplied by foreigners, is over £250,000,000. As the populations of the Commonwealth increase, this potential market must also grow larger.

Following the example of the "Buy British" campaign in the United Kingdom a number of important business associations here have decided to start similar propaganda in favour of Belgian goods. The movement is supported by the National Federation of Chambers of Commerce and the Central Industrial Committee, which together are representative of practically every Belgian industry. Posters to the number of 25,000 are already being displayed.

Salter Report.

The Minister of Transport has now received from the organizations from which he has invited comment views on the report of the Salter Conference on rail-road transport. While some have approved the recommendations of the Conference the majority of the organizations have been highly critical and a few have denounced the recommendations root and branch. Mr. Pybus has undertaken to consider the report and the views expressed upon it by organizations not represented at the Conference. It will then be his duty to frame a scheme for dealing with the competition between rail and road transport for submission to the Cabinet. It is understood that the Government are anxious to deal with this subject at an early stage of the next Session of Parliament.

Among the latest critics of the Salter Report are the National Chamber of Trade and the Society of Motor Manufacturers and Traders. The Chamber consider that any attempt artificially to limit or restrict road transpors is against the spirit and the letter of the termt of reference on which the Salter Committee were asked to report. The Society of Motor Manufacturers and Traders emphasize the importance of the commercial vehicle industry and the imminence of an era of development of undeveloped countries by road transport, for success in which a prosperous and progressive home industry is essential. They declare that the mere publication of the Salter Report has already seriously affected employment in the commerical vehicle industry.

The Society are entirely opposed to higher taxation or to further regulations or restrictions upon commercial vehicles. Among other points made are that the report discloses no reason why railway investors should be entitled to protection otherwise than by such ordinary administrative methods as are open to all industrial concerns, that any artificial division of function would be unjust to all new forms of transport, that no authority is competent to decide what goods should be carried by road or by rail, and it is directly opposed to the interests of trade and industry that any Government Department should be entrusted with such powers, that the bulk of the premises of the report have been based upon unsupported assumptions and theoretical calculations which are incomplete, inaccurate and misleading, and that no recommendations arrived at under such premises should be treated seriously by Parliament.

British Steel for India.

Further details are available concerning the supplementary agreement made between British and Indian galvanized steel sheet manufacturers since the close of the Ottawa Conference, where discussions began.

This agreement provides for the imposition of the following duties in India:—Rs. 30 per ton on United Kingdom sheets made from Indian semi-finished material; Rs. 53 per ton on United Kingdom sheets made from any other semi-finished material; Rs. 83 per ton on foreign sheets.

The principal parties to the agreement, it is understood, are the Tata Iron and Steel Company of Jamshedpur, India, and Mr. James

Whitby of the Oriental Steel Company, who is Chairman of the Iron and Steel Exchange, London, the latter acting, it is stated, on *behalf of British exporters. The Tata Company,* it is expected, will manufacture galvanized steel sheets for the portions of the Indian market—*it is the most economical to* supply—leaving the remainder to be supplied by British firms acting through Mr. Whitby.

Two years ago British exporters were supplying 300,000 tons of galvanized steel sheets a year to the Indian market, the normal requirements of which were increasing by about 10,000 tons annually. To-day, owing to the general trade slump, imports into India are only about one-third of the former total, but it is believed that, on ratification of the agreement by the Indian Legislature, the preferential duty will enable British exporters to supply all India's imports, including about 75,000 tons now shipped by Belgium.

Trade with Soviet Russia.

The House of Lords had an opportunity on Tuesday of discussing our trade relations with Soviet Russia on a motion by Lord Mount Temple declaring that liquidation of Soviet debts to the British Government and nationals should precede the grant of further credits and the negotiation of a new trade agreement. Speaking for the Government, Lord Templemore declined to accept the view that our trade policy with Russia should be linked up with Russian debts, which continued to engage the anxious consideration of Ministers. He argued that while Russia might benefit from the credits scheme it had also been a great help to British manufacturers, particularly in the heavy engineering trades. Lord Londonderry also contended that in view of the coming Economic Conference it would be a calamity if trading with so large a population as Russia was cut off. If the Government did so they would not only increase unemployment, but would be universally condemned by those British traders who were engaged in Russian trade. He took the view that Britain would have a far better effect on Russia if it maintained its relations with that country, and thereupon Lord Mount Temple withdrew his motion.

Government Finance and Trade.

A plea for sound financial practices on the part of Governments as one of the pre-requisites of better trade is made in the latest monthly review of Barclays Bank. If normal conditions are to be restored there will have to be, as *this authority points out,* a resumption of foreign lending by the large creditor countries, and credit will again have to be readily available *for the conduct of international trade.* But before this can take place there must be a general re-establishment of confidence, as it *is inconceivable that lenders will be prepared* to re-enter a field in which they have already suffered so heavily unless they are provided *with definite proof that their recent experiences* are unlikely to be repeated. In the view of this authority nothing is better calculated to afford *that proof and to dispel the prevailing distrust* than clear and unequivocal evidence that in the future Governments are determined to maintain *budgetary equilibrium and to confine* their capital commitments within the limits dictated by the canons of prudent finance.

Death of Sir Sydney Armitage-Smith.

Sir Sydney Armitage-Smith, who was for six years Secretary-General of the Reparations Commission, died in London on October 31, *at the age of 56 years.* He was Financial Adviser to the Persian Government in 1920, but his contract and those of the other members *of the Financial Commission* were cancelled shortly after their arrival in the country and he returned to England from Teheran in *the following year.* He was then for a short time secretary to the British section of the Reparations Commission before being appointed Secretary-General of the Commission in 1924, a post that he held until 1930.

That concessions with regard to debts owed to the United States should be subject to the condition of the removal, or at least of the modification, of exchange restrictions by debtor nations, is the subject of a proposal put forward by the Board of Directors of the United States Chamber of Commerce. The recommendation is made following the receipt of a report illustrating the deadening effect on the world's export business owing to the fact that no fewer than 32 Governments are now controlling foreign exchange transactions.

The Hon. Katherine Plunket died on October 14th: had she lived until November 22nd she would have completed 112 years. *Sic transit* a most notable member of a notable family. Her father, Baron Plunket, Bishop of Tuam, was born in 1792, immediately before the great "flare-up" of the French Revolution, whilst the daughter was born in 1820, shortly before the death of Napoleon.

Economic Notes.

The Ottawa Trade Agreement.

Messrs. Vakil and Munshi in their pamphlet on the Ottawa Agreement, explain vividly and put the Indian reader on the right track in regard to the line of argument that some may advance without grasping its full import.

They thus summarize their conclusions on the implications of the Agreement :—

(1) That the determining factor in the proposed agreement is the need of the U. K. for a larger market in India.

(2) That the additional market which the U. K. will be able to capture in India may be estimated at 33 crores.

(3) That this will give an impetus to industrial production in the U. K.

(4) That in order to do so, there will have to be substantial additions to taxation in this country.

(5) That even if it is possible in future to reduce taxation, there will be some avoidable larger duties on the articles in question, so long as the agreement lasts, and so long as the U. K. has not captured the whole trade in these articles.

(6) That India is likely to get an additional market of 13 crores in the U. K. by accepting the agreement.

(7) That this will be brought about mainly by a diversion of our trade from other countries to the U. K. and therefore it will not lead to increased production in the country.

(8) That the displacement of our import trade with other countries to the extent of 33 crores will reduce their capacity to take our exports, and in some cases ill-will may be created.

(9) That the diversion of our export trade of 13 crores from other countries to the U. K. will not be an adequate compensation for the difficulty pointed out in (8).

(10) That India may lose on a liberal estimate a market of 8 crores in the U. K. by non-acceptance of the agreement.

(11) That this is only 2.6 per cent of our total exports, and in view of our strong position in the world market we shall not find it difficult to find markets for these goods.

(12) That the U. K. is not likely to restrict our exports as most of them are required either for consumption or for industrial purposes ; besides, being interested in sending large quantities of imports to us, she would be compelled to take adequate quantities of our exports.

(13) That the agreeent prosupposes that India will continue to be a supplier of raw materials, and will not develop industrially.

(14) That there will be no real advantage on the whole to India by the acceptance of the agreement as suggested in the Government communique.

(15) That there will be difficulties in the way of future development of our industries.

Land Mortgage Banks.

The Government of Cochin have recorded a resolution of the Legislative Council asking for the establishment of a land mortgage bank, but state that for the time being it is not possible to give effect to the resolution. A government order on the subject states that land mortgage banks are intended to provide long-term credit to ryots for productive purposes and for paying old debts. "Facilities for cheap credit will serve an admirable purpose if the credit, when obtained, is used for productive purposes. The result will be just the reverse if the money is spent unproductively. Investigations in some parts of the Madras Presidency have shown that though a percentage of the ryots incurred debts for improving land and for similar productive purposes, the vast majority of them borrowed for non-productive purposes —for marriages, festivals and other social purposes and law suits." "The question has to be considered," the government order adds, "whether the circumstances suited to the working of land mortgage banks exist in Cochin. The first thing to be done, therefore, is to collect the necessary data. The only satisfactory way of doing this will be by an economic survey of the state—a detailed survey in every village of the indebtedness and its causes, main industries, subsidiary industries and facilities for establishing additional industries. This will take some time and the resolution is recorded for the time being."

Japanese Goods in Jamaica.

The importation of Japanese goods into Jamaica and other British West Indian markets has begun to affect lines of every-day wearing apparel of British manufacture. Japanese goods of various descriptions, including 30,000 pairs of cheap footwear, white calico, khaki drill, and men's and women's underwear, aggregating £30,000 in value, were landed at Kingston at the close of September by way of the Panama Canal. The goods were transshipped at Cristobal from a Japanese steamer. The Japanese are also in Ceylon. Chinese traders in Jamaica have declared a boycott against silk, cotton goods, and footwear from Japan in consequence of their resentment at Japanese armed forces occupying Chinese territory. The Japanese are thus everywhere.

Industries in Bihar and Orissa.

In their Resolution on the Annual Report of the Director of Industries, Bihar and Orissa, for 1931-32, the local Government state :— The year under report was one of unprecedented

depression in trade and industry. The only bright feature was the sugar industry which received substantial benefit as a result of tariff protection. As many as seven new sugar factories are reported to be under construction in North Bihar and one or two are under contemplation in South Bihar where the cane area is larger and has the advantage of irrigation. There is wide scope for indigenous enterprise to start sugar factories in South Bihar but it is a matter for regret that both indigenous capital and indigenous enterprise have so far failed to take advantage of the opportunities offered. The wire-nail industry which was expected to be placed on a sound footing as a result of increased import duties is now exposed to severe competition as a result of the recent depreciation of the *Yen* and its future appears none too bright. The lac and mica industries were badly depressed and so were coal, iron and various other industries. It may be hoped that the corner will soon be turned but the immediate outlook is far from encouraging. The *pundah* section sold goods worth Rs. 1,20,000 and made a net profit of Rs. 11,490. The export business actually increased by 15 per cent from £6,684 in 1930-31 to £7,802 in 1931-32. Local sales however, diminished as a result of the transfer of the sales depot from Bankipore to Gulzarbagh. The sale depot was ultimately closed as a separate organization at the end of the year. The Silk Institute at Bhagalpur continued to render assistance to weavers, though its working was seriously affected by the economic depression which has hit the silk industry very severely. *Eri* rearing appears to have been established in Orissa though further propaganda and demonstration would still seem to be necessary. Government hope that it will be possible to carry on this work through non-official agency with assistance from Bhagalpur.

Industries in Bengal.

A Resolution of the Bengal Government on the Annual Administration Report of the Local Department of Industries, for the year 1931-32, states:—Reference was made in the last year's review to the abnormal economic situation caused by the world-wide trade depression and the consequential financial stringency which resulted in the departmental activities being rigorously restricted. The same conditions prevailed throughout the year under review. There was, therefore, not only no scope for the initiation of new schemes of development but normal activities had to be further curtailed in several directions. It is, however, gratifying to note that in spite of the financial limitations the departmental activities in the chemical, engineering, tanning and weaving sections, as detailed in the Director's report, succeeded in assisting the development of small factory industries. It may now be fairly claimed that the activities of the chemical section have given an impetus to the development of the soap industry on up-to-date lines and have resulted in the utilization of local sources of vegetable oils which hitherto had little or no economic use. Steps were also taken during the year towards the development of the silk industry in Bengal. It is recognized that the improvement in the technique of reeling of silk is of paramount importance in reviving the industry, and with a view to bringing home to the reelers the advantage of reeling with modern machinery a domestic reeling plant and hand-twisting machine of the Mysore pattern were installed at the Government Silk Weaving and Dyeing Institute at Berhampore.

Indian Government Purchases.

What is known as the Rupee Tender system has changed in large measure the scope of the work of the India Store Department, London, the report of which for the year 1931-32 has now been published (India House, Aldwych, 2*s.* 9*d*.). The rules, which came into full operation on January 1, 1931, provide for tenders for Government stores of all kinds to be made in India in rupee currency, in replacement of the old system under which many millions of pounds' worth of stores were bought, chiefly in the United Kingdom, on contracts placed by the India Store Department, London, and paid for in British currency. The change of system is in pursuance of the policy of purchase in India, preferably of goods manufactured or partly manufactured in that country, or, when this is not possible, from firms and agents of British and other manufacturers. The rules allow for tenders to be invited simultaneously in this country and in India in respect only of articles which may not readily be obtainable in India. The change of system operates, as was intended, to the restriction of purchases in this country, and since the urgent need for economy has necessitated drastic reduction in the budgets of all spending departments in India, the last fiscal year was marked by a big drop in the amount spent by the Department. In 1929-30 the value of the stores directly purchased under the authority of the Director-General (Colonel Sir S. W. Paddon)

was over £5,000,000, while last year it was £1,328,000. Adding to this amount orders placed with the depot through the War Office and other British departments, the total value of contracts with British firms was £1,531,000, which was 94 6 per cent of the total purchases made on behalf of the various Indian Governments.

SUGAR MANUFACTURE IN INDIA.

While Japanese cotton manufacturers are reported to be looking for sites for mills in India to overcome the piece-goods import duties, Dutch sugar manufacturers are engaged in a similar quest. There is now in Delhi a Dutch sugar expert and two others who are interested in the project of establishing a sugar factory about 70 miles from the city. A prominent Dutch financier who has large interests in the Java sugar industry is expected shortly. The protective import duty has made the position of the sugar industry in Java, so far as the Indian market is concerned, very difficult, and this visit of experts is to investigate the possibilities of factories working on principles in force in Java.

INDIA AT CHICAGO WORLD'S FAIR.

It is gratifying to note that even though the Government of India has decided not to officially participate in "A Century of Progress," the Chicago International Exposition of 1933, an organization under the name of India Pavilion Corporation, 1, Park Avenue, New York City, has been formed to bring about India's participation in the fair. The chief organizers of this scheme are— Dr. Vernon B. Herbst of Chicago, a well-known Neurologist, and Mr. J. J. Singh of Kashmir, who was the Vice-President of the Indian Merchants' Association in the British Empire Exhibition at Wembley and was one of the organizers and a member of the India Advisory Committee at the Sesqui-Centennial Exposition of Philadelphia in 1926. The scheme has received encouragement from the Government of India through Sir Joseph Bhore, the Minister of Commerce, in the form of a letter to Mr. J. J. Singh conveying the Government of India's good wishes for the success of the enterprise.

Current Comment.

By "Scrutator."

Repayment of War Debts.

The tragedy of the present economic depression is heightened by American insistance of payment of War Debts in specie. While France, Belgium and Poland have intimated that no payment will be made at present, England has met her obligations. That is as it should be. Whether the example of the other nations is right or not, there is not merely dignity in England's meeting her obligations but also it is good business to do so. By virtue of the payment, she is in a better position to urge her claim for a revision of the position. Despite the Congressional demand for payment from all creditors, it is evident President Hoover is veering round to the view that the whole question of War Debts requires revision in the immediate future. What the results of such revision may be it is difficult to anticipate. But it is clear that steps will have to be taken to reduce considerably future payments. The effect of such reduction on the world economic position cannot but be for the better. Together with it if the kindred questions of high tariffs, disarmament, monetary and currency position, the political ferment in India and China and the like, all of which transcend the geographical boundaries of particular nations, are properly dealt with, there may be a chance created for the recovery in commodity values which is so much desired all the world over. Apart from all this, the economic conditions of America itself necessitate an early recovery in such values. It is the duty of individual nations to press for the solution of these problems. Until they do that, there is no chance of an early recovery in the prices of primary products.

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I note in an English trade paper that Norman Angell was born on Boxing Day, 1874. He has just passed his 58th birthday. All honour to him and many more happy returns of the same. As an Economist he long ago built up a reputation for himself and now as a disinterested exponent of disarmament, he is still hard at it. While all will wish him success from first to last, there will be armament firms enough in Europe and America wishing his return to his first love— Economics. Economists we have plenty to spare to-day and there is none so stupid as to wish Sir Norman back to Economics.

pure and simple. An asset to the cause he has made his own, there can be little doubt *that he is not likely to leave it until he wins.* An impressive writer, a great thinker and a genuine internationalist, he deserves to succeed. And that means the success of the cause he has made his own. Let us hope that mankind will pass the test provided for it unscathed and that the familiar line of Goethe "a mad world my master" may be forgotten for the moment.

* * *

These are days for "Plans" for national development. Soviet Russia has led the way in this matter and other nations, despite the adverse criticism they indulge in against *Russia, pay her the compliment of imitating* her methods. If imitation is the sincerest *form of flattery, here is a good sample of it to* the delectation of the nations of the world. The latest "Plan" is for England and the writer is Mr. G. D. H. Cole, perhaps one of the acutest writers that British Socialism commands. His *Plan for Britain*, published by the Clarion Press (2, Carmelite Street, London, E.C. 4) though but a pamphlet (price 6*d.*) is the first of a series of Clarion Texts which will be issued by the Editorial staff of the *New Clarion.* The Series deserves to be widely read if for nothing else at least to appreciate how Russian example *is proving contagious even in stable Britain.*

* * *

The year 1932 that is no more was remarkable in India for the worst kind of repression and the jailing of the most prominent patriots. It, however, gave fresh evidence of the Indian nation's determination to win freedom. Mahatma Gandhi's greatest achievement was the revision of the Cabinet decision on the Indian question. Its significance is this: that the only way to win freedom for India is to unite in India, to work for it in India and demand it in India. The unity Conference is hard at work and there is, despite Press reports, every likelihood of its achieving the goal. The London atmosphere has *been unfriendly to it but that is the greater* reason why efforts should be redoubled in *this country to arrive at unity.* The non-communal-minded Moslems have joined the Hindus in this connection and the rest of the minorities are also actively interesting themselves in attaining unity. That is a matter for congratulation and when unity is achieved what may not be possible in a country so richly endowed as India is? Indians should cast off all suspicion against each other. *They should* be Indians first and last and declare with one voice that they are out to *stand forth for all time as one.* Once a nation makes itself felt as such, none can stand against its onward march. *Let the* New Year signalize this victory against suspicion and open a new chapter in India's splendid history.

* * *

The Burmans have given the lie direct to the desire for separation that had been attri*buted to them.* The vote is against Sir Charles Innes and against the Cabinet Constitution offered. *The Separation issue is dead* as a door nail. The Federation question has been kept alive by the Burmans themselves and if they desire to federate with India, none can object to it. The stunt of Secession is one of those nightmares that need not trouble either Burmans or Indians. Why should Secession be contemplated now? Why should Federation fail, once it has been achieved? A Greater India has still to be built up and is a necessity. It ought to include India, Burma and Ceylon, if conflicts are to be effectually avoided. The *indications are that both Burmans and the* Ceylonese are alive to this fact and that is all to the good for their future.

* * *

The debate on India was a tame one. Mr. Morgan Jones gave an opportunity to the Cabinet, *which it has failed to utilize.* Sir Samuel Hoare, as usual, indulged in self-praise and pointed to the ratification of the *Ottawa Agreement and the passing of the* Ordinances by the Legislature as signs of *Indian goodwill towards England!* He, of course, suggested watching of developments but people in India by now know what that means. India is nearly tired of this attitude on the part of the British Cabinet, which has proved one of the most reactionary this country has known for ages.

* * *

The Third Round Table Conference has *come and gone.* Mr. Ramsay MacDonald was unable to be present at the final settling. A hard-worked Premier, he has been unwell too. What is worse in his case is that he has been suffering for long now from the "Prime Minister's disease" of indecision, so far as India is concerned. None in Britain has a better or a closer idea of the Indian mind and none has proved more inactive than

he. That is the effect of the environment that surrounds him. It seems a pity but it is none the less true that he is incapacitated from acting. His idealism is gone. He is a Tory tool, say his former colleagues. But that need not be accepted as literally correct. *But he has to carry out a Policy which is* largely Tory and he is, circumstanced as he is, wholly unable to act up to his former convictions. *Sir Samuel made* a speech great in words—but in action signifying nothing. Everything is relegated to Governors' or *Governor-General's Instructions or to Royal* Proclamations. What is to be said of a written constitution that has to look up to Proclamations and Instructions for its fundamental declarations? Lord Sankey was, of course, as profuse in his sympathies as ever and as gracious as graciousness can go, but soft words butter no parsnips. The fact staring us in the face is the constitution promised is unsatisfactory and will prove unacceptable to those who are bent on nothing short of real, effective freedom for their country.

* * *

"None," wrote Sir Arthur Wellesley, "can judge of the necessity of peace who has not sat in the House of Commons." How true that is to-day and yet how false considering the serried ranks of die-hard Tories that make up the Commons! Peace in India you can get, if you but reconcile yourself to Mahatma Gandhi. Miss Wilkinson is correct to a fault when she says that he wants less *onerous terms from the British to-day than* Jawahar Lal, Nehru would to-morrow as his successor. It is for the British to choose now and at once, if Peace is wanted and trade is to be restored.

* * *

Will the Mahatma be released? Sir Tej Bahadur urged his release and Mr. Kelkar—who is quite other than the original Kelkar of Tilak's days—says the release is relegated to February next. That shows that "watching the developments" still prevails. The Cabinet is indecisive but long before next month things will have occurred in India which will compel it to act. The Mahatma has ever been a puzzle to the Government of India and the Cabinet and he has yet a surprise packet to present to the latter. That will be his New Year's gift to the Cabinet. He is as a child to those who mean justly and act justly towards his country. But to those who keep the word of promise to her ears but break it to her hopes, he is a hard nut to crack. Meanwhile the growth of freedom in India is getting a fillip by the efforts of Pandit Madan Mohan Malaviya, the Nestor of Indian Politics to-day. He has worked unsparingly and has been ably seconded by Mr. Vijiaraghavachar. To these and their Muhammadan colleagues the country owes a deep debt of gratitude. Sir Zulfikar Ali also deserves a word of praise for the knock out blow he has given to his Communalist brethren. Altogether, as the Cabinet is receding further and futher from recognizing an United India, Indians of all classes are progressing daily—nay, hourly—towarde that Unity that is bound to make India one single inseparable whole. Such an unified *India neither the British Cabinet nor the* Western world can neglect. Trade depends on good-will, and if Britain's bread is partly in India, then there is need to recognize the stern fact that India is determined on winning effective freedom for herself. British goodwill should be built up on that fact: otherwise it will have no basis for success.

* * *

The Anti-Untouchability Campaign is in full swing. In the heat of the moment, words are being uttered by some that need to be called foolish. To say that the untouchables are not Hindus is to declare one's ignorance of history, of religion and of the *Sastras*. There is no need for these heroics. Hinduism will stand all this and a great deal more. Religion in danger is a cry that can blind some but not *all. Those who are for preventing the opening* of temples to the so-called untouchables should pause and consider—whether they *are acting in their own interests by this policy* of touch-me-not, especially to-day, when even the crusted old conservative *Sastris and Acharas are ready for accommodation on* some intelligible footing. The case is one essentially for compromise. There is nothing that is not capable of adjustment in the Hindu religion; and there is nothing that is not absorbable by the Hindu social organization. Its whole history proves that Hindu *Sastras* are world-embracing and that every one—from an Animist to a *Charvaka*—can live and prosper under their secure fold. Raise the Untouchables; allow them to associate with others; and don't allow yourself to be dragged down—that sums the required policy to-day in regard to this campaign against Untouchability. Work, organize and help,—these should be our watch-words. Hinduism must and will triumph in this effort to consolidate the Hindu Nation.

Topics in the Journals.

Wool in the Empire and Outside.

The *Journal of the Textile Institute* for August contains the following interesting summary of the "Wool Survey" recently compiled by the Empire Marketing Board and published (price 2s.) by H.M. Stationery Office, Adastral House, Kingsway, W.C.2.

Nearly one-half of the world's raw wool, and over two-thirds of the wool entering world trade, is produced within the British Empire. The world's sheep population is estimated at nearly 800 million head, of which about one-third are in the Empire. They produce between 3,500 and 4,000 million pounds of wool per annum and of this amount about 1,500 million pounds, including much of the best wool in the world comes from the British Dominions of Australia, the Union of South Africa and New Zealand. Among the other important producing areas, consisting of South America, the United States of America and Russia only South America has a surplus for export. The United States of America is largely self-sufficing as regards merino and crossbred wools, but imports carpet wools; Russia produces almost entirely carpet wools, and imports both the finer wools and wools of the carpet type. Neither of these countries seems likely to assume any importance in the near future as an exporter of raw wool. After reviewing the development of the sheep population the wool production and the wool trade of each of the principal countries concerned, together with the course of raw wool prices over the past 40 years, the Survey reaches the following conclusions.

There has been no exceptional increase in the sheep population or the wool production of the world in recent years; indeed, between 1928 and 1930 there appears to have been a small decrease in wool production, and although the year 1931, according to the partial estimates at present available, probably witnessed an increase in production over 1930, it is not anticipated that the record level of 1928 will be appreciably exceeded. British Empire countries have maintained their share of the world's sheep population at about one-third, and their share of the world's production of raw wool at about one-half. In the export trade, in which the share of Empire countries is over two-thirds of the world total, there has been, on the whole, little variation since 1926 in the consignment of raw wool from producing to manufacturing countries, and there would appear to be no abnormally large accumulation of stocks of raw wool in the principal exporting countries. At the end of the 1930-1931 season, when stocks in certain of the principal producing areas were higher than usual, they still formed only a very small part of the aggregate annual production. No large stocks have been allowed to accumulate through efforts to maintain prices, and proposals to restrict the sales or stabilise the prices of raw wool have been vigorously opposed.

Function of Exhibitions.

Of late a new type of exhibition has come into vogue, and, as those at Buenos Aires and Copenhagen will probably be followed by others, it may be useful to consider the matter in its broader aspects. It is common knowledge that the business community at one time felt strongly that the great international exhibitions were being overdone. Naturally the exhibitors regard these enterprises from a standpoint different from that of the prospective visitor or the diplomat who is concerned with their influence on public sentiment. They are fully alive to the advantages of publicity and to the possible disadvantages of being out of the picture if their chief competitors are there, but exhibiting in a worthy fashion—and no famous firm cares to make an inferior display—in an exhibition that is open for several months is a costly undertaking, and the practical question arises whether the benefits to be received are likely to be commensurate with the expense, says the *Times Trade Supplement* in a recent issue. In these days a firm can hardly be blamed for taking a strictly commercial view of the matter, for though the great international exhibition may prove an invaluable means of introduction to new customers and a useful method of cementing established connections, it does not always have this result, and all the *pros* and *cons* have to be very carefully weighed. But the new type of exhibition that is open for a comparatively brief period and has a specific practical objective in view rather than general publicity entails far less expenditure of time and money and is in a different category. It may be well worth while to concentrate attention on such an event for the fortnight or so that it is open, even if it entails the attendance of responsible members of the firm, for it will scarcely be denied that the ill-equipped stand where little information is available and important visitors receive scant attention is apt to create an extremely bad impression.

Responsibility for success, however, must be shared by promoters and exhibitors with those who lend their support, whether as patrons, wholesale buyers or members of the public who put down a small coin at the turnstile for admission. In the case of most exhibitions the help of all these sections is essential to the success of the undertaking. Without the promoter there would obviously be no exhibition, and the exhibitor's role is plain. He must keep the terms of his contract with the promoter, and in his own interest he should endeavour to make his stand attractive to buyers, but it is not his business to provide entertainment for sight-seers. The distinguished patron who *con amore* does what he can to ensure the success of a venture with which he sympathizes deserves more credit than he usually gets, but he has the satisfaction of knowing that he is following an example set in the highest quarter.

The sight-seer's part is to extract sufficient entertainment from the exhibition to repay him for his entrance fee; if he refrains from blocking gangways and resists the temptation to occupy the attention of stall attendants from whom he has no intention of buying so much the better. But it is important not to forget that the most important person of all is the man who goes to the exhibition to do business. On him, in the last resort, the real success of the enterprise depends, and therefore no effort should be spared to see that the buyer is attracted and provided with all reasonable facilities.

Meanwhile, there is, of course, a vast difference between the purpose of an official or semi-official international exhibition that is open for six months with side-shows, amusements, sports arenas, and what not, and a function which is open only to members of a trade; between these two extremes are such exhibitions as the Motor Show at Olympia, the British Industries Fair, and the Ideal Home Exhibition, each of which serves a very useful purpose and is open for a sufficient period to give all an opportunity to visit it without necessitating additional and extraneous attractions to keep up the attendance. Then we have had such enterprises as the Buenos Aires Exhibition and the Copenhagen Exhibition, which were restricted to British manufactures and were deliberately intended to promote imports from this country. Their success suggests the advisability of further efforts in the same direction. They are not expensive to attend, and when, as in the case of Copenhagen, the co-operation of the local agent is secured many of the objections to participation are met and answered in advance. In the same category, probably, should be included the Advertising Exhibition which has been announced for next July. It will serve the dual purpose of revealing to British businessmen the true economic functions and practical value of advertising, and of teaching the public the advantage of buying advertised goods. It is not possible here to review every aspect of the subject, but the great success of the British Industries Fair, attested by many participants, suggests that this type of exhibition is serving a useful purpose. The Birmingham men have done wonders, and the success of their efforts in co-operation might well be emulated everywhere; literally they have shown the way. Though the practice of showing collective exhibits has made head-way and serves a purpose which no individual exhibit can achieve, nothing can take the place of the enterprising firm that has belief *in its own products and is eager to show them*. Probably in the long run no propaganda will be found more effective than the aggregate efforts of individual exhibitors who have participated in the enterprise in order to extend their market, and are determined to leave no stone unturned to achieve their purpose by every legitimate method known to salesmanship.

World's Cotton Situation.

The Washington Bureau of Agricultural Economics has published the annual statistics relating to the stocks of all kinds of cotton on July 31, 1931. The carry-over of all kinds of cotton on that day was 131,339,000 bales comprising 8,768,000 bales of American, 2,481,000 bales of Indian, 914,000 bales of Egyptian and 1,176,000 bales of sundries. This is the biggest carry-over since July 31, 1921.

The official details of the nature and size of the carry-over on July 31, 1932, are not available, but it is possible to surmise what they will be. It would appear that the carry-over of all kinds of cotton throughout the world on July 31, 1932, comprised approximately 13,250,000 bales of American cotton, 1,200,000 Egyptian and 3,000,000 bales of Indian and sundries. This represents a record large carry-over of American and an exceptionally low carry-over of Indian cotton.

The Washington Department of Agriculture further estimates that the production of American cotton during the season 1932-33 would be 11,800,000 bales. The favourable reports received from other parts of the world help us to estimate the production of outside growths at 12,000,000 bales. Added together the carry-over and the production the total world supply of cotton during the current season appears to be 41,250,000 bales, comprising 25,050,000 bales of American and 16,200,000 bales of other cottons. The total figure thus stands at the level of the last season though American production has, in the current season, been reduced by over 5,000,000 bales.

The trend of demand during the last season was in favour of America and Egypt. According to the statistics of the International Federation of Master Cotton Spinners, last season there was an increase in consumption of 1.44,000 bales and 127,000 bales of American and Egyptian cotton respectively and a decrease in consumption of 1,070,000 bales and 629,000 bales of Indian and other cottons. This change in demand was due to the relative better quality and cheapness of American and Egyptian cottons.

But it appears likely that there will be a re-shuffling of demand this year. This season's American cotton crop has been characterized by continuous reports of poor staple. There has also been a comparative failure in the Egyptian crop. The relative dearness of Indian cotton and the relative cheapness of American cotton caused the internal changes in cotton consumption last season. It may well be that the prospective change to normal proportions of the types of cotton composing this season's total supply will cause a reversal of last season's trend of consumption.

Power Alcohol.

The September number of the *Crown Colonist* contains an interesting article on Power Alcohol, from which the following information is taken :--

Although power alcohol no longer has the advantage of novelty, it is a factor of increasing importance, in view of the economic crisis and the rapid development of mechanical transport. The commercial value of this new motor fuel has been tried and proved, and practically every country (including even the United States, the natural oil supplies of which might be thought to render it otherwise independent) has provided by legislation for its manufacture and use. In Germany and France especially the use of this "Alcohol motor fuel" was instituted several years ago. It is only in the British Empire that we find the manufacture of power alcohol for commercial purposes comparatively neglected. The exceptions to this statement so far are Southern Rhodesia, where, after prolonged investigation, the Government gave its sanction to the new industry by granting it certain measures of protection; Queensland, where the industry was established with the financial assistance of the Government; and in

England, where a single plant is in operation for the production of absolute (dehydrated) alcohol, to be converted into motor fuel.

What then are the properties and advantages of power alcohol? The name is given to the spirit distilled from maize, molasses, sweet potatoes and other crops. This spirit, when mixed with plain petrol in varying proportions (the standard mixture favoured is 20 per cent alcohol and 80 per cent petrol) gives a new motor fuel for which are claimed the following advantages over plain petrol: higher compressibility, quicker pick-up, and anti-knocking qualities. From the economic point of view, particularly, the advantages to be derived from its use lie in a market for surplus agricultural products on the one hand, and the cheaper cost to the fuel consumer on the other. For instance it has been estimated that three distilleries in South Africa could produce annually 12 million gallons of alcohol to produce, with petrol, 80 million gallons of the new motor fuel to be sold at 1s. 6*d.* per gallon at the coast and 1s. 9*d.* inland. Having regard to the cost of importing petrol and its retail price in that Dominion, the great saving to the consumer there is at once obvious. Again, with maize on the "free list", the conversion of a great part of the surplus crop would prove a tremendous boon to the producer, with feed for his cattle as a valuable residue and he could sell meat to England *instead of maize.*

Although a British scientist first discovered the process of obtaining alcohol from agricultural products, it has been left to foreign countries to develop the industry on commercial lines. In so far as the British Empire is concerned, the establishment of an "All-British motor fuel" is of considerable importance. So many millions of money go out of the Empire to foreign countries every year for the purchase of petrol that it is time to call a halt to what seems, in the circumstances, a needless extravagance. The rapid development of both road and air transport further emphasizes its importance. For example, there are no oil-wells along the Cairo to Cape air route. With power alcohol plants in the Sudan, East Africa and Rhodesia—all agricultural countries—this route could be kept open with greater independence of foreign petrol supplies. Southern Rhodesia at least has made a move in the right direction, and Kenya is giving serious consideration to the question.

The development of a product which would assist agriculture, and establish a new industry, is surely a matter calling for early action by the authorities concerned. Perhaps British East Africa will show the way.

Recent Economic Publications.

Present Problems of the Orient.

This modest pamphlet is No. 281 of the series of important publications issued periodically by the Carnegie Endowment for International Peace under the general heading "International Conciliation". Mr. Jerome D. Greene, Chairman of the Institute of Pacific Relations, delivered a speech in New York under the auspices of the World Affairs Institute in March last on "*The United States and the Situation in the Far East*". This and another speech by Mr. Wallace M. Alexander in May last to the Convention of the National Foreign Trade Council at Honolulu constitute the bulk of this pamphlet. The text of the Nine Power Treaty of 6th February 1922 which guaranteed the territorial integrity of China is also appended for the sake of reference.

As I write this review, the Lytton Report on Manchuria is on the anvil of the League Council. At the same time news is to hand that severe fighting is going on in Manchuria between Chinese volunteers and Japanese forces. China has now legalized boycott of all Japanese goods. In my opinion, this brochure is perhaps the most succinct and clear account of the nature of the Far Eastern problem.

Mr. Greene begins with a statement that China "has never had the concept of nationality" and that Nanking, while unable to do anything to protect Japanese interests in Manchuria, has always disputed the very validity of the treaties and agreements under which Japan was carrying on her railroads and her commercial and industrial operations in Manchuria. By September 1931 "even the shadow of authority observable at Nanking has at times disappeared" (p. 12). In juxtaposition to this, Japan's extension of her own sovereignty created a very dangerous situation. "Owing to the emergence of the military part of the Government as sole masters of the situation" the Manchurian problem extended to its present dimensions (p. 14). Mr. Greene believes that annexation has never been desired by Japan. But he condemns Japan's action near Shanghai as a "tragic blunder" (p. 21) which complicated the international situation. He opines that invocation of Article XVI of the League covenant would be more devastating in effect than actual warfare. Concluding, Mr. Greene criticises the American Government for refusing prematurely to "recognise any arrangements arrived at as a consequence of a breach of the Pact" and also Mr. Stimson's doctrine of "indefinite *patience*" which he considers *to be indefensible in* principle. Concluding, he believes that the League machinery ought to be helpful in solving the Far Eastern problem.

Mr. Alexander's address is more technical and deals with the interactions of international trade. While reviewing the policy of "Open Door" inaugurated by the U.S.A. in 1898 by Secretary of State, John Hay, he observes that American interests in the Far East have almost served as a guarantee for the preservation of China as a territorial unit. He gives a wealth of statistical detail in regard to the magnitude of Manchurian trade and the national stake of Japan in that trade (pp. 36-37). But Mr. Alexander's main anxiety in his address is to delinete the effects of the Far Eastern situation upon the export trade of the U.S.A.

For every student of the Far Eastern Question I recommend this pamphlet as the best and shortest account that only experts can give.

BEZWADA, }
26th November 1932. } LANKA SUNDARAM.

Economic History of Great Britain.

By Arthur Redford.—Messrs. Longmans, Green and Co., London and Madras, pp. 221. Price 3-6-0 *net.*

This book is one of a series edited by Principal J. F. Rees. Economic History to-day is found not

so much in popular text-books on the subject as in monographs and dissertations covering special periods of a country's economic development. The volume of research is steadily expanding and bringing to light facts which call for a modification, if not correction, of existing generalizations. Just as in the realm of economic theory, the day of great treatises by single authors is over, so also in economic history no individual writer can work up into a finished article the vast volume of raw material continuously produced by specialists working in different epochs. The editor has wisely entrusted specific periods to different writers.

Mr. Arthur Redford's book covers the economic history of England between 1760–1860. He is dealing with a period which is at once most controversial, as it is concerned with the doctrines of free-trade, state intervention, labour legislation, social reform and fiscal policy, and most distinguished, as it tells the tale of England's industrial leadership of the world. In its main outline, the book is based on the researches published within the last ten years. On many points of detail, the author makes his own specific contributions based on independent references to original sources. The book will thus serve both the general reader, who is usually content with an interesting and authoritative account of the economic development of England, and the academic student who is fastidious about nice points and who will accept no fresh views unless supported by incontrovertible evidence.

The author begins his history in 1760 but is under no illusion, as earlier writers were, that somewhere about 1760 was the year of transition from the old to the new, from the mediæval to the modern. Toynbee wrote that the essence of the Industrial Revolution was the substitution of competition for the mediæval regulations, which had previously controlled the production and distribution of wealth and also that England till 1760 was under the mediæval system of minute and manifold industrial regulations. But the author proves that by 1760 the industrial system of England was changing rapidly: many great mechanical inventions had already been introduced; agrarian changes were in progress; the mediæval system of industrial regulations had long since become obsolete; and capitalism, water-power, machinery, and aggregation of work-people had all appeared in English industry in a more or less distinct form before the beginning of the eighteenth century. The whole trend of modern research shows that the economic changes referred to were less sudden and less dramatic in their coming and less catastrophic in their effects than Toynbee and his disciples would have us believe. It is no doubt true that various important economic changes were taking place in 1760, *e.g.*, Brindley's Canal from Worseley to Manchester, Boulton's Factory in Birmingham, Carron Iron Works in Scotland. But these events suggest not the outbreak of a vast change but that the process of transition was being accelerated. The author gives due weight to these considerations.

There is now a consensus of opinion, though tacit, that economic history should mean something much more than a mere study of the growth of agriculture, industry, commerce, transport, currency and finance. For these subjects necessarily involve an examination and description of social conditions. The line between the economic and the social is artificial. In the actual life of a nation, they are interconnected and react upon each other. Economic History is, therefore, meant to be a self-contained record of man's wealth-getting and wealth-using activities and in many works on Economic History there are chapters on social changes. Recent political historians, especially those of the *Cambridge History* school, have shown a commendable tendency to pay increasing attention to economic factors. The author of this book has divided the subject into two parts, one entitled "The Growth of Industrialism", in which he deals with economic changes strictly so called and the other, "The Age of Reforms", in which he deals with the main currents of socio-economic changes and shows the interdependence of the one upon the other.

Mr. Redford's work is a useful contribution to the literature on economic history. Though it is one of many books on the subject, it has a distinction and a flavour all its own. It is at the same time interesting and authoritative and is well adapted to serve as a text-book for students and a readable book for the layman.

University of Mysore, MYSORE. — V. L. D'S.

The Revolt against Civilization.

By Lothrop Stoddard. Published by Messrs. Chapman & Hall, Ltd., 11, Henrietta Street, Covent Garden, London, W.C. Price 6s. net.

Mr. Stoddard has written a sensational work. His chief concern in it is indicated by the sub-title of the work, *The Menace of the Under-Man*. His main thesis is put forward quite early in the work. Civilization, he postulates, is not a cause, but an effect even though a complex one. It is the effect of the inherent excellence—superiority—of a portion of the human race, in some at least of its branches. "For civilization to rise at all," he says (p. 9), "a superior human stock is first necessary; while to perfect, or even to maintain that civilization, the human stock must be kept superior." Or again: "Civilization depends absolutely upon quality, while quality, in turn, depends upon inheritance" (p. 10). This view he elaborates in the pages that follow by reference to the Biological and Psychological discoveries, which, he contends, discount the factor of Environment in the making up of the superior man, and uphold the element of inheritance as the only explanation of the driving power for the progressive enrichment of man, and the steady uplift of his society.

The reviewer is not sufficiently a student of Biology to criticise this work on his own authority. But he cannot help adding that works like those of Dr. Jennings in his *Biological Basis of Heredity* do not support the theory of Heredity as the only explanation of the rise of individual genius, or the progress of the race as a whole. Environment as well as Heredity are, Jennings holds, equally important, while, by manipulating properly the environment, we can produce almost any type we like. Mr. Stoddard adduces inductive proof, on the authority of such investigators as Frederick A. Woods, who, in his *Heredity and Hall of Fame*, discovered that out of 8,500 distinguished Americans, one out of every five was closely related to another, as against one out of 500, the average proportion of such relationship in the nation as a whole. Woods' works, and McDougall's investigations, and Galton's theories all point, in Stoddard's view, to the source of civilization as lying in the lavish initial *inequality* with which nature endows each of her human off-spring. His main apprehension, of which this work under review is full to overflowing,

is that, at the present time, we do not take sufficient care of the superior elements in the race to guarantee a continued excellence and progress of the community. The intelligence tests of 1,700,000 American soldiers, enlisted for the World-War, show (pp. 60 *et seq.*)

"That the average mental age of Americans is only about fourteen: that forty-five millions, or nearly one half of the whole population, will never develop mental capacity beyond the stage represented by a normal twelve-year old child; that only thirteen and one-half millions would ever show superior intelligence; and that only 4½ millions can be considered 'talented'" (p. 64).

Given these revelations, the problem before the practical Eugenist consists, Mr. Stoddard concludes in the last chapter dealing with the Neo-Aristocracy in how:—

"to make such legal, social, and economic adjustments that (1) a larger proportion of superior person, will have children than at present; (2) that the average number of off-spring of each superior person *will be greater than at present*; (3) that the most inferior persons will have no children; (4) and that other inferior persons will have fewer children than now."

The essence of the work is contained in these two—the postulate, and the conclusion. The bulk of the book is occupied with noting symptoms of the surging tide of the Under-Man, whose vanity, the author thinks, and fear, are aroused against their own inability to keep pace with the march of civilization. And because this Under-Man cannot keep pace, he would rather bring down the upper layer of human society. Hence the Social Unrest, the Bolshevist experiment, and *ad hoc genus omne*, indicating social unrest and revolution. The intermediary chapters are well worth a perusal. Mr. Stoddard's reasoning is unconvincing, though impressive. He has not defined *precisely what he conceives to be "Civilization"* nor what he understands by the "menace" to it. He has stated in the preface that the danger of destruction to our present civilization lies in the progressive racial impoverishment; but he has given no objective tests by which to measure that impoverishment. Nor does he enable the reader to judge if the present civilization is worth preserving. His main contention regarding the decisive influence of inheritance as against environment is, to say the least, a matter of controversy amongst scientist, themselves. The whole school of Behaviourists led by Pavlov and Watson, seems to be dead against that thesis. Our study, however, of a synthetic bio-psychology is yet so much in its infancy, that the reviewer of such a work,—himself with no pretensions to biologic lore,—would do well to suspend critical *judgment pending further investigations in the realm* of biology and psychology.

BOMBAY, *20th December*, 1932. K. T. SHAH.

The Economic Lessons of 1929-1931.

The first eleven bulletins of the Unclaimed Wealth Utilization Committee (Geneva), issued under the Chairmanship of Mr. A. H. Abbati. Messrs P. S. King & Son Ltd., Orchard House, Westminster, London. 4*s.* 6*d.* net.

Here we have before us the first eleven bulletins of the Unclaimed Wealth Utilization Committee issued under the name of Mr. Abbati who has already made a name as a writer on monetary topics. They are not only meant as a theoretical contribution to the great topic of the present Depression but also for the practical guidance of bankers, financiers and producers. They form a set of valuable studies of *various successive aspects of the Depression, and they* are all the more useful since they were given out at different stages of that Depression and so give us no one panacea but the different remedial prescriptions suited to individual aspects of the world's disease. There is obviously no need to accuse an author of inconsistency because he emphasizes different aspects of an ailment or prescribes different medical ingredients with the progress of the disease. Rather it prevents that exaggerated emphasis on any single remedy which mars the value of so many books upon the subject in hand. Moreover the views advanced in the earlier bulletins have the advantage of being tested by the later phases of the Depression. The present book might indeed well be considered as a very useful contribution to the study of the Depression.

Although the work is meant for practical guidance, it is in no way deficient on the analytic side. For instance, it starts with a very clear and careful study of the distinction between Investment and Saving —factors whose equilibrium or disequilibrium has been shown by all recent theory to have such important bearings upon business conditions in general. Naturally the restatement of the matter by Mr. Abbati does not closely follow the lines of its treatment by Keynes or Robertson. But the value of the former's exposition lies exactly in the independent and individual view taken up by him. Incidentally, in company with other recent investigators Mr. Abbati gives its due as a factor in the Depression to hoarding in the shape of purchasing power held up in an economic community at some point. He points in a hopeful strain to the fact that such hoardings are now at last beginning to flow into the market and are likely therefore to exert influence upon prices.

The central idea of this book is that the insufficiency of buying and of purchasing power is at the root of the present Depression. Here again the present work has numerous points of contact with the works of Mr. Keynes, Sir A. Salter and Mr. P. W. Martin. The creditor countries are obviously much to blame in the matter especially on account of their heavy and rising tariffs. The older economists often assumed that the maintenance of purchasing power is an automatic matter. While much that they wrote on the topic of over-production was of high value, they undoubtedly over-looked the fact that on various occasions special steps have to be taken to maintain the supply of purchasing power and the equilibrium between purchasing power and the volume of goods for sale. Amongst others the present work draws marked attention to this aspect of the matter and discusses the national and international steps that must be taken to restore the equilibrium.

Mr. Abbati is particularly instructive in his criticism of Sir Arthur Salter's proposition that the present crisis is due to a gap in the balance of payments between the creditor and debtor countries—a gap which only additional credit can bridge. Our author points out the danger of too heavy lending by creditor countries. According to him, the main remedy is not so much more lending by creditor countries but more purchases by them from their debtors. There is much truth in this view, no doubt at the same time things having once been brought to the present pass by the high Tariffs of the creditor countries more

lending by them has become very necessary at any *rate as an immediate palliative. Eminent* authorities like Professors Sprague and Ohlin have emphasized the great mischief done in the past by the erratic and discontinuous policy of lending followed by France and America.

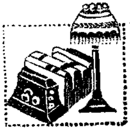
Mr. Abbati makes a study of the causes of the great outflow of gold which drove England off the gold standard. *He does not believe nor* does he want others to believe that the outflow was caused by overspending in England. He emphasizes other factors—the overlending by English banks to Germany, the consequent frozen credits, the withdrawal of funds from other counrties who were alarmed, the hoarding of money by France and America and the reduced income of England from its foreign investments.

The estimate made by the author of the advantage gained by England through the suspension of the gold standard has its value even though it errs on the side of optimism that advantage is put as equivalent to a gain of 50 million dollars a month in the English balance of foreign payments. It is asserted indeed that this advantage is not likely to be lost in the main either by higher costs at home or by wage-cutting abroad. He prophesies a steady rise in the value of the sterling—a rise which has come indeed but the ground thus gained has not been maintained.

Mr. Abbati closes his book with a note of hopefulness and optimism. *He* tries to show that the abuse of the gold standard by France and America is bringing its own—remedy especially since the heavy withdrawals of gold from America might drive the latter off the gold standard; and then France would be choked with the gold thus acquired. He also believes that 'unassisted' by man—indeed hindered by him—Nature is effecting the cure of the Depression though with a heavy hand. It is readjusting the security markets through a drastic liquidation and causing such a fall of commodity prices all round as will bring into the field the large existing increases of savings, deposits and hoardings. Let us hope that Mr. Abbati is a true prophet. Nevertheless there are many disquieting signs, too, which might easily prolong the Depression—with the result that Mr. Abbati might have to give the world some more of his admirable bulletins.

Andhra University,
WALTAIR.

J. C. COYAJEE.



Books in Brief.

Short Reviews of Recent Books.

The Jesuits and the Great Mogul.

By Sir Edward Maclagan. Messrs. Burns Oates and Washbourne, Ltd. *Publishers to the Holy Sea*, London. Price 17*s.* 6*d.*

This is a finely written volume on the Jesuits and the attempts they made to convert the Great Mogul Emperors at Delhi. It fully sustains the great reputation that Sir Edward Maclagan has for many years enjoyed in India—principally as the draftsman of the Maclagan *Report on Co-operation in India.* Indeed it is a model of modern historical research and fills a chapter all but forgotten now. Sir Edward has brought together almost every title of evidence that is at all available to elucidate his subject. His presentation of the subject also deserves praise—not a point is passed over without the authority on which it is based being quoted or discussed at some length, whether in the body of the book or in the footnotes. The question may well be raised whether any of the Emperors—from Akbar to Aurangazeb—were really anxious to change their creed. The evidence points to the conclusion that though they were friendly, they used the Jesuit priests for political rather than strictly religious purposes. The interest of Sir Edward's book, however, lies in the fact that it brings together all the available *material on the subject* and reviews them with judicial impartiality. We have also a whole chapter devoted to Father Monserrate's books; we have another to Akbar's allaged Christian wife; a third on the Indian Bourbons; a fourth on Mirza Zulqarnain, a Christian official in the Mogul Government; and a fifth on Donna Juliana Diaz da Costa, a Christian lady at the *Mogul Court. Then, again,* a whole chapter is devoted to the Persian works of Father Jerome Xavier and another to the Jesuit Missions and Mogul painting. These two chapters ought to prove of great interest to students of Indian history. Among other chapters of interest are on Christian Congregations, Churches and residences, Cemeteries, and last but not least an excellent one on the Jesuit Mission to Tibet. *Altogether a volume of transcending* historical interest to India. The notes to each chapter are illuminating to a degree, while the full list of contents and comprehensive index add to its value as a reference volume. The book has had the imprimature of the Catholic Church and as such ought to find ready welcome among all classes of readers in and out of India. *A just tribute is paid to Father* Hosten, S. J., for help rendered in the writing of the volume.

The German School System.

By S. Ali Akbar, M.A. (Cantab.), Divisional Inspector of Schools, Hyderabad, Deccan, Messrs. Longmans, Green & Co., London and Madras.

Mr. Ali Akbar deserves to be complimented on the very suggestive and informing Report on the German *School System which he presents in a handy form in* this well got-up book. It is, in our opinion, a contribution to the subject. Republican Germany has consciously developed a system of education with definite aims and ideals. As Lord Eustace Percy, who writes an appreciative Foreword to the book puts it, Germany has not only standards of education but also a philisophy of *education. That is where she beats* her neighbours in Europe and that is where Modern India has much to learn from her. Mr. Ali Akbar has digested his observations in a series of seventeen chapters, in which he treats the subject in a manner

at once taking and comprehensive. How comprehensive it is will be seen when we mention that after a preliminary chapter and an account of the administration and organization of Schools, he treats of the Kindergarten, the Elementary Schools, the Garden School, Middle Schools, Vocational Schools and finally of Secondary Schools. Next, he has chapters on the teaching of English, of History and Geography, of Mathematics and the Natural Science and of Drawing and Music. We have, in addition, accounts of the examination system, physical education, the youth movement (including youth hostels) and welfare of school children. We have, besides, a chapter on the training of teachers for the different kinds of schools. *Altogether the volume is one of considerable immediate interest* and ought to be widely read and pondered by those charged with the duty of Educational reform in this country. We should be glad to see an Index added to it when a new edition is called for.

The Rural Community and the School.

By G. S. Krishnayya, M.A., Ph.D. Association Press, 5, Russell Street, Calcutta. Price Rs. 1-4-0.

Dr. Krishnayya put the ideal of the American Community Schools before those interested in rural education. There is no doubt that he is in the main in the right track in doing this. His description of *American institutions is both authentic and accurate.* His suggestions centre round the leading idea: the rural school must register the needs of the rural community. How should the Indian rural schools be adjusted to the Indian rural community? He urges that a study of American institutions yields the clue to the problem. Mr. Brayne, I.C.S., whose interest in rural welfare is well known, writes a characteristic Foreword in which he approves the solution put forward by Dr. Krishnayya. He forcefully points out that the rural school in India should become the centre of a new rural life and "supply the cohesion, initiative and knowledge required for the great task of rural reconstruction." Dr. Krishnayya's informing book ought to attract the very widest attention in this country, which needs as the first step in reform, rural reconstruction on a sound basis. To the realization of this idea, this suggestive study is a real contribution.

Principles of Civil Government.

Part I. An Introduction to the Science of Politics, by A. K. Ghose, Bar-at-Law. Price Rs. 7.

Part II. An Introduction to the Science of Economics, by Suchin Sen, M.A., B.L. Price Rs. 5-8-0. Messrs. Taraporevala Sons & Co., Hornby Road, Bombay.

In view of the increasing interest taken to-day *in the matter of the political constitution* of this country, the publication of these two volumes embodying the *Principles of the Civil Government* is, in our opinion, quite opportune. The volumes cover a wide field and between themselves they give in one conspectus a thoroughly reliable and up-to-date view of the two Sciences of Politics and Economics. It is unnecessary, we think, to go into details in regard to their contents. It ought to suffice if we stated that the first volume, dealing with Politics, exhausts the subjects in three comprehensive books: Essentials of Civil Government; Types of Government; and the General Organization of the Government of India. The most topical matter for the reader will be found *in Book II of this volume,* where he will get a review of Governmental types in vogue in the progressive world of to-day. We need only add that the ... *of principle throughout is accurate.* In the second volume, the reader will find Economics, dealt in a manner at once simple and taking. The lay reader will find it not merely readable but in part entertaining. That is as much as can be said in favour of a technical book, especially on Economics. The latest theories are discussed in a detached spirit and reasons stated in a thoroughly scientific spirit. To those interested in a very general way with the present conditions of India, we would specially recommend the last chapter in this volume dealing with the "Economic Features of India," which will post them up with little effort. Both the volumes are provided with fair Indices, which ought to prove serviceable *to publicists. These volumes deserve the attention* of the University Boards of Studies in Politics and Economics, as they seem, in our opinion, eminently suited to the class-room.

Mediæval India.

By A. Yusuf Ali, C.B.E., M.A., LL.M. (Cantab.). Oxford University Press, London and Bombay. Price 5s.

This gives a bird's eye view of *Mediæval India, i.e.,* the period 647 A.D. to 1526 A.D., which is both interesting and instructive. A trained scholar and an impressive writer, Mr. Yusuf Ali has produced a picture which is vivid to a degree. Most who have given any attention to the subject agree that there is considerable advantage to be derived from dating the mediæval period of India as he does. Mainly, it makes possible the synchronistic study of Indian and European middle ages. For another, there is much to be said for the view that we discern modernity with the beginnings of Moghul rule. Mr. Yusuf Ali gently protests against the breaking up of Indian history into water-tight compartments is both timely and just. He urges that if conflicts between nations and races are inevitable at one stage of their history, their cohesion into larger national groups is neither impossible of achievement nor unwanted from a larger point of view. He presents three pictures of Social and Economic life belonging to three different periods of time: 7th century; 10th and 11th centuries, and 14th century. The reader is carried through these periods in a manner which is not merely pleasing but also impressive. Therein lies the secret of Mr. Yusuf Ali's writing. He has accomplished a difficult task with commendable scholarship. Professor F. J. C. Hearnshaw, M.A., LL.D., Professor of History, King's College, Univerity of London, writes an appreciative "Introductory Note" in which he writes: "I sincerely trust that the interest which his (Mr. Ali's) masterly survey of mediæval Indian culture is sure to assume may further the great cause of Anglo-Indian amity and mutual comprehension." So be it.

A general account of the properties and applications of aluminium is given in a pamphlet received from the British Aluminium Company, Adelaide House, King William Street, E.C.4, while another pamphlet, "Industrial Problems Lightened by Aluminium," consists of 35 pictures illustrating the versatility of the metal and its use in multifarious *forms with or without the assistance of other metals* or special treatments.

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The advantages of copper pipes for water services and domestic heating, such as resistance to corrosion and to bursting under the action of frost, are urged in a pamphlet received from I. C. I. Metals, Limited,